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RESTRICTIVE TRADE PRACTICES COMMISSION

REPORT

CONCERNING THE SUGAR INDUSTRY IN EASTERN CANADA

DEPARTMENT OF JUSTICE
OTTAWA

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1960

RTPC No. 4
(Series begins 1959)

Price 50 cents

Cat. No. J53-60/4

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REPORT

CONCERNING THE SUGAR INDUSTRY IN EASTERN CANADA

COMBINES INVESTIGATION ACT

Ottawa
1960

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RESTRICTIVE TRADE PRACTICES COMMISSION

C. Rhodes Smith, Q.C., M.A., LL.B., B.C.L.
Chairman

A. S. Whiteley, B.A., M.A.
Member

80955-8—1½

RESTRICTIVE TRADE PRACTICES COMMISSION

OTTAWA

February 3, 1960

Honourable E. Davie Fulton, P.C., Q.C., M.P.,
Minister of Justice,
Ottawa.

Sir:

I have the honour to submit to you herewith the report of the Restrictive Trade Practices Commission dealing with the sugar industry in Eastern Canada.

The matter was brought before the Commission by the submission of a statement of the evidence obtained in the inquiry by the Director of Investigation and Research under the Combines Investigation Act and has been dealt with in accordance with the provisions of sections 18 and 19 of the Act.

Evidence and argument in regard to the Statement of Evidence were heard by the Commission in Ottawa between November 3 and November 7, 1958 and February 9 and February 13, 1959. In these proceedings Messrs. F.N. MacLeod and A.G. Powell appeared on behalf of the Director of Investigation and Research; Messrs. J.D. Arnup, Q.C. and R.B. Weir appeared on behalf of Canada and Dominion Sugar Company Limited; Honourable Salter A. Hayden, Q.C., and Messrs. J.H.C. Clarry and D.S. Macdonald on behalf of Acadia-Atlantic Sugar Refineries Limited, Atlantic-Acadia Sugar Sales Company Limited and Atlantic Sugar Refineries Limited and Mr. Jean Filion, Q.C., on behalf of St. Lawrence Sugar Refineries Limited.

Yours faithfully,

(Sgd.) C. Rhodes Smith

C. Rhodes Smith
Chairman

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CHAPTER I

INTRODUCTION

1. Reference to the Commission

This inquiry, which had been made by the Director of Investigation and Research, was brought before the Commission on April 3, 1958 when the Director submitted a statement of the evidence obtained in the inquiry. At the same time that the Statement of Evidence was submitted to the Commission it was also submitted by the Director, in conformity with section 18 of the Combines Investigation Act, to each of the parties against whom allegations were made therein.

2. Hearings and Witnesses

In the course of the inquiry into the sugar industry representatives of the Director visited the business premises of the sugar refining companies and of a number of sugar brokers and obtained from them documents which were deemed relevant to the inquiry. These documents, after being copied by the Director, were returned to the premises from which they had been obtained. For identification, these documents were all marked with code letters in the upper right-hand corner to indicate the particular premises on which they were found, and each sheet of every document was marked with a separate serial number in the lower right-hand corner, which enables it to be distinguished from all other documents. In this report both code letters and serial numbers will be cited in referring to a particular document.

The Director also asked for and obtained returns of information by way of answers to questionnaires which he sent to sugar refining companies and several other corporations. In addition a number of witnesses were examined orally and certain documentary evidence was adduced at hearings before Mr. A. S. Whiteley, a member of the Commission, held in Ottawa on March 2, 1956; in Montreal on March 5 to 8, both inclusive, on April 4 to 6, both inclusive, on April 9 and 10 and on April 12; in Toronto on March 12 to 15, both inclusive, and at hearings held

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before the Chairman of the Commission in Toronto on May 14 and 15, 1956:

The following were witnesses examined at the hearings held in March, April and May, 1956:

A.G. Powell	Combines Investigation Officer
T.A. Climo	Formerly Deputy Sugar Administrator, Wartime Prices and Trade Board and Vice-President, Canadian Sugar Stabilization Corporation Ltd.; Sugar Adviser, Department of Trade and Commerce, 1951 to 1954
Leslie Palmer	Manager, Czarnikow (Canada) Ltd.
W.J. McGregor	President, Canada and Dominion Sugar Company Limited
E.A. Eamer	Secretary, Canada and Dominion Sugar Company Limited
W.H. Punchard	Treasurer, Canada and Dominion Sugar Company Limited
E.A. Millar	Former employee, Canada and Dominion Sugar Company Limited
G.M. Russell	Assistant General Manager, Montreal Division, Canada and Dominion Sugar Company Limited
G.L. Schemilt	Executive Assistant, Montreal, Canada and Dominion Sugar Company Limited
H.E. Dennis	Executive Assistant, Montreal, Canada and Dominion Sugar Company Limited
F.M. Doherty	Assistant Traffic Manager, Montreal Division, Canada and Dominion Sugar Company Limited
E.J. Faust	In charge of beet sugar sales, Chatham, Canada and Dominion Sugar Company Limited
Frank Smallman	Branch Manager, Toronto, Canada and Dominion Sugar Company Limited

L.J. Seidensticker	Director, Acadia-Atlantic Sugar Refineries Limited; President, Atlantic-Acadia Sugar Sales Company Limited; President, Atlantic Sugar Refineries Limited
A. Beaulieu	Secretary-Treasurer and Comptroller, Acadia-Atlantic Sugar Refineries Limited, Atlantic-Acadia Sugar Sales Company Limited and Atlantic Sugar Refineries Limited
W.A. Thompson	Sales Manager, Atlantic-Acadia Sugar Sales Company Limited
E.V. Burgess	Traffic Manager, Atlantic-Acadia Sugar Sales Company Limited
G.W. McIntosh	Manager, Toronto Branch, Atlantic-Acadia Sugar Sales Company Limited
J.R. Crawford	Vice-President, St. Lawrence Sugar Refineries Limited
R.E. Miller	Assistant to the Vice-President, St. Lawrence Sugar Refineries Limited
H.M. Smith	Sales Manager, St. Lawrence Sugar Refineries Limited
C.F. Johnston	Sales Representative, Toronto, St. Lawrence Sugar Refineries Limited
Percy Gardiner	Financier, Toronto
W.E. Beamish	Assistant Treasurer, Beamish Sugar Refineries Limited

Following the submission of the Statement of Evidence by the Director to the Commission and to the parties against whom allegations were made therein, the Commission received representations from some of the parties concerned as to the date of the hearing for argument before the Commission. After considering these representations the Commission, by an order dated April 28, 1958, fixed Monday, October 6, 1958 at 10 o'clock in the forenoon in the West Court Room, Exchequer Court of Canada, Ottawa, as the date, time and place at which argument in support of the Statement of Evidence could be submitted by the Director and at which persons

against whom any allegations had been made in such Statement would be allowed full opportunity to be heard in person or by counsel, this proceeding being in accordance with section 18 (2) of the Act. In giving notice thereof, the Commission further informed the parties that at the hearings they would have the opportunity of calling any witnesses or of submitting additional documentary evidence.

Prior to the date fixed for the hearing a request was made to the Commission by one party for a postponement of the hearing, and after consideration the Commission adjourned the hearing until November 3, 1958.

On October 28, 1958 members of the Commission were served with Notice of a Petition to the Superior Court of the District of Montreal by St. Lawrence Sugar Refineries Limited seeking a Writ of Prohibition to order the Commission not to proceed with the hearing set to commence on November 3, 1958. The Petition of St. Lawrence Sugar Refineries Limited was to have been brought before the Supreme Court in Montreal on November 7 but it was withdrawn before the date set for the Commission hearing, and at the opening of the hearing on November 3 counsel for the company stated that St. Lawrence Sugar Refineries Limited had withdrawn its objections to the jurisdiction of the Commission to proceed with the hearing. At the same time counsel for St. Lawrence Sugar Refineries Limited Stated that the company reserved its rights to object to the jurisdiction of the Commission with respect to the making of a report. The following appearances were registered at the opening of the hearing before the Commission:

A.G. Powell F.N. MacLeod	For Director of Investigation and Research
J.D. Arnup, Q.C. R.B. Weir	For Canada and Dominion Sugar Company Limited
Hon. Salter A. Hayden, Q.C. J.H.C. Clarry D.S. Macdonald	For Acadia-Atlantic Sugar Refineries Limited, Atlantic-Acadia Sugar Sales Company Limited, and Atlantic Sugar Refineries Limited
Jean Filion, Q.C.	For St. Lawrence Sugar Refineries Limited

The hearing which began on November 3, 1958 continued until November 7 when, at the request of some of the parties, an adjournment was made until February 9, 1959. Argument was concluded on February 13, 1959. During the proceedings before the Commission the following witnesses were examined and certain exhibits were received:

E.V. Burgess	Assistant to the Sales Manager, Atlantic-Acadia Sugar Sales Company Limited
A. Beaulieu	Secretary-Treasurer and Comptroller, Acadia-Atlantic Sugar Refineries Limited, Atlantic-Acadia Sugar Sales Company Limited and Atlantic Sugar Refineries Limited
W.J.R. Paton	Executive Vice-President and General Manager, Acadia-Atlantic Sugar Refineries Limited and Atlantic Sugar Refineries Limited

For purposes of clarity, reference in this report to evidence given at the earlier hearings for the taking of evidence will be made as follows: "Evidence, p. . . .". Reference to evidence given at the hearing before the Commission will be made as follows: "Hearing, p. . . .".

3. Description of Sugar Refineries in Eastern Canada

The following descriptions of the undertakings in the sugar industry in Eastern Canada are based on those contained in the Statement of Evidence:

Acadia-Atlantic Sugar Refineries Limited (in this report generally referred to as Acadia-Atlantic) was incorporated under the Ontario Companies Act on October 13, 1939 and at that time was known as the Acadia Sugar Refining Company Limited. The 1939 company was incorporated to acquire the assets and business of a predecessor company of the same name which had been incorporated in 1926 under the laws of the Province of Nova Scotia. The 1926 company succeeded another company of the same name which had been incorporated in Scotland in 1893 as a consolidation of several sugar refining operations then located in Nova Scotia.

In 1939, immediately following the Ontario incorporation, the company bought 50 per cent of the outstanding common shares of the Atlantic Sugar Refineries Limited. The remaining 50 per cent of these shares was bought in or about December 1941. On June 1, 1945, the company's name was changed to Acadia-Atlantic Sugar Refineries Limited. Shares of the company are widely held by the public.

Sugar refining operations were carried on for many years by Acadia at its refinery at Woodside, Nova Scotia, which was put into operation in 1911 and operated until early 1942 when it was closed down. This refinery was maintained for some years from 1942 in such condition as would allow its being put back into operation with relatively little rehabilitation but it has never since then been operated.

There has been an Atlantic Sugar Refineries Limited since 1912. On May 19, 1932, a company known as General Sugars, Limited was incorporated under the Companies Act of Canada. This company bought all the assets of the then existing Atlantic Sugar Refineries Limited and after doing this, by special letters patent dated June 30, 1932, changed its name to Atlantic Sugar Refineries, Limited. Under this name the company still exists and operates a refinery at Saint John, N.B. which was first operated in 1915. Since 1942 this has been the only refinery operated by or under the control of Acadia-Atlantic.

In or about May, 1940 a company known as Atlantic-Acadia Sugar Sales Company Limited (hereinafter called Atlantic-Acadia Sugar Sales) was incorporated. This company, which is owned sixty per cent by Acadia-Atlantic and forty per cent by Atlantic, has since May 20, 1940 acted on their behalf as a sales company.

As of the end of 1955, the daily capacity of the Saint John refinery was approximately 1,500,000 pounds of refined sugar. There had been no material change in this capacity since January 1, 1946.(1)

Canada and Dominion Sugar Company Limited (in this report generally referred to as C. & D.) resulted from the amalgamation on December 24, 1930 of the Canada Sugar Refining Company, Limited, Montreal and Dominion Sugar Company Limited, Chatham, Ontario.

The Canada Sugar Refining Company, Limited was originally known as the Canada Sugar Refinery and as such started the refining of sugar in Montreal in 1854. In the early 1870's the refinery's operations were restricted because of competition from imported sugar and in 1876 they stopped completely. In 1879 the refinery was re-opened and the operating company was the Canada

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(1) Mr. Arthur Beaulieu, Secretary-Treasurer of Acadia-Atlantic, testified that the capacity of one evaporator was increased in 1954 which resulted in an increase in rated capacity of approximately 10 per cent (Hearing, p. 621)

Sugar Refining Company, Limited. The refinery site was that in Montreal which is now occupied by C. & D.'s Montreal refinery. From this refinery C. & D. produces its "Redpath" brands of refined cane sugar.

Just prior to the time of the merger in 1930, the Dominion Sugar Company Limited had two sugar refineries or factories. One of these, built in 1902, was at Wallaceburg, Ontario, and the other, built in 1916, at Chatham, Ontario, at which latter place the present company's head office is located. Prior to the merger, Dominion Sugar turned out beet and cane sugar in approximately even amounts. Since the merger, cane sugar has ordinarily been refined at Montreal and the Wallaceburg and Chatham plants have concentrated on the production of beet sugar. The Wallaceburg plant is still equipped to refine cane sugar when it is not working on sugar beets and some cane sugar was turned out there in 1950 and 1951.

C. & D. is a Dominion company with 1,550,000 issued common stock shares held by more than 5,000 shareholders.

C. & D. has the largest sugar refining capacity of any company in Canada. Its capacity is as follows:

Location of Plant	Raw Material	Daily Capacity Jan. 1/46	Daily Capacity Nov. 1/55
Montreal	Raw Cane Sugar	1,600,000 lb.	2,400,000 lb.
Chatham	Sugar Beets	2,500 tons	3,000 tons
Wallaceburg	Sugar Beets	2,100 tons	2,500 tons
	Raw Cane Sugar	800,000 lb.	1,050,000 lb.

Some time prior to April 18, 1952 C. & D. acquired property on the waterfront in Toronto on which a refined sugar warehouse was built. This was opened in October, 1955. Plans for the construction of a refinery at Toronto had been prepared at the time of the inquiry and counsel for the company informed the Commission at the hearing that construction would be completed so that operations could begin in the spring of 1959[1] The initial daily capacity of the new refinery was given as 1,400,000 lb.

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(1) In the President's Report to Shareholders which accompanied the company's annual report for the year ended March 31, 1959 it was stated that the Toronto refinery commenced melting on May 21, 1959.

Since about 1949 C. & D. has had associations with Tate & Lyle, Limited, the large British sugar refining company, and since May, 1950 Tate & Lyle, Limited has been represented on the Board of Directors of C. & D. Some time prior to 1955, according to the evidence of Mr. W.J. McGregor, President of C. & D., Tate & Lyle, Limited acquired about 30, 000 shares of C. & D. on the open market and then C. & D. accepted an offer from Tate & Lyle, Limited to buy 50, 000 treasury shares of common stock at $16 per share. The market price at the time was about $20. Mr. McGregor gave evidence that he understood that previously Tate & Lyle, Limited had been looking around Canada for a possible refinery site but found that C. & D. had secured the only desirable site, which was in Toronto. Arrangements were made by C. & D. for the provision of technical services by Tate & Lyle, Limited before the latter was represented on the Board of Directors of C. & D.[1]

St. Lawrence Sugar Refineries Limited (in this report generally referred to as St. Lawrence) is incorporated under Dominion of Canada Letters Patent dated April 30, 1912. This company bought out its predecessor, St.Lawrence Sugar Refining Co.Ltd., on May 29, 1912. It is said that the business was originally established in 1879.

St. Lawrence operates a cane sugar refinery in Montreal, the daily capacity of which was 1, 250, 000 lb. of raw sugar on January 1, 1946; 1,300, 000 lb. on March 1, 1952; 1, 400, 000 lb.on March 1, 1954; 1, 500,000 lb. on March 1, 1955, and in April, 1956 was said to be 1, 700, 000 to 1, 800, 000 lb.

Quebec Sugar Refinery - In addition to the refineries operated by the companies described above, the Province of Quebec operates a beet sugar factory at St. Hilaire, Quebec. The number of acres planted to sugar beets in the Province of Quebec averaged 7, 432 for the years 1951-55 when the average for Canada as a whole was 87, 963 acres. Since 1955 the number of acres planted to sugar beets in the Province of Quebec has been less than 6, 000 in each year. During the period 1950 to 1954 the average annual production of beet sugar in Canada was 264, 747, 000 lb., of which 156, 708, 000 lb. were produced in Western Canada and 83, 912, 000 lb. were produced by C. & D. By subtraction the average annual production of beet sugar in Quebec in the same period was 24, 127, 000 lb. In

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(1) According to reports appearing in the financial press Tate & Lyle acquired a controlling interest in C. & D. in November, 1959, when an offer it made to purchase 50 per cent of C. & D.'s outstanding shares not already held by Tate & Lyle was successful.

view of the decline in acreage planted to sugar beets in the Province of Quebec since 1954 it may be concluded that the output of beet sugar in the province in recent years has been smaller.

4. Allegations

The following allegations of detriment are made by the Director in the Statement of Evidence:

"1011. It is alleged that the following companies

Acadia-Atlantic Sugar Refineries Limited
Atlantic Sugar Refineries Limited
Atlantic-Acadia Sugar Sales Limited
Canada and Dominion Sugar Company Limited
St. Lawrence Sugar Refineries Limited

have entered into agreements and arrangements having or designed to have the effect throughout Eastern Canada of preventing or lessening competition in and substantially controlling the manufacture, purchase, sale, transportation and supply of sugar, which combination has operated and is likely to operate to the detriment and against the interest of the public within the meaning of Section 2 of the Combines Investigation Act.

1012. It is also alleged that the said companies have conspired, combined, agreed and arranged to prevent or lessen unduly competition in the manufacture, purchase, sale, transportation and supply of sugar throughout Eastern Canada in a manner contrary to Section 411 of the Criminal Code.

1013. The above-mentioned companies have supplied over 90% of the refined sugar consumed in Eastern Canada in each of the years 1950 to 1954 inclusive.

1014. The combination extended over a considerable number of years and particularly from 1950 to 1955, inclusive.

1015. The combination involved the following arrangements on the part of the companies above mentioned:

1. They tacitly agreed to have uniform basis prices.

2. They agreed upon package and grade price differentials.

3. They agreed upon transportation charges and upon certain delivered prices.

4. They arranged their sales policies so as to bring about that the proportion, done by each of them, of the total business should remain from year to year substantially constant. To this end, they exchanged sales figures at frequent intervals.

1016. While the granting of price concessions and other advantages in the terms of sale to particular customers resulted in a considerable number of variations in the end prices charged by the different refiners, these concessions did not seriously impair the arrangements but on the other hand were in part the means by which the refiners held their respective proportions of the market substantially constant.

1017. To support their general arrangements to prevent and lessen competition, the refiners from time to time arranged among themselves to purchase large quantities of raw sugar from Cuba upon the understanding that the Cuban exporters would refrain from exporting refined sugar to Canada. Prior to June 10, 1954, certain arrangements were made or caused to be made by the Canadian Government affecting the purchase of Cuban raw sugar by Canadian refineries and the export of Cuban refined sugar to Canada. No allegations are made against the companies in respect of any activities arising out of these arrangements which were made as matters of national policy for purposes of assisting trade with Cuba and assisting Canadian sugar beet growers. The allegations contained in this paragraph relate to the private arrangements which the companies made, subsequent to June 10, 1954 for the purpose of lessening competition and protecting refiners' margins.

1018. To support their general arrangements to prevent and lessen competition, the refiners or some of them in or about the year 1936 arranged to buy among them the only other sugar refining business in Eastern Canada. Such business was then incorporated and the refiners directly or indirectly secured ownership of the shares of the new company in the approximate proportions of their shares of the sugar market in Eastern Canada. The operations of the new company were discontinued about 1942 and its physical assets disposed of.

1019. To support their general arrangements to prevent and lessen competition, the refiners arranged with certain sugar brokers located in Montreal for the latter to impede or prevent the supply of high grade raw sugars to manufacturers

of food products located in Eastern Canada. The effect of this particular arrangement was to prevent such manufacturers from obtaining an essential raw material at the lowest possible price and to prejudice their position in relation to imported products."

5. Position Taken by the Parties with Respect to the Statement of Evidence

In accordance with the usual practice, and at the request of the Commission, counsel for each of the parties against whom allegations were made in the Statement of Evidence submitted to the Commission either before or at the opening of the hearing, a written brief, setting out the positions taken by their respective clients with regard to the Statement of Evidence and the points upon which they took issue with the Director.

The main issues raised by the various briefs in reply to the Statement of Evidence may be summarized as follows:

1. All general and special "allegations of detriment" made by the Director were denied by St. Lawrence, but submissions on particular allegations were not presented on opening. C. & D. and Acadia-Atlantic also denied allegations of detriment and took issue with the Director on various points.

2. C. & D. did not challenge statistical information presented in the Statement of Evidence or the historical review of the sugar industry in Canada and throughout the world. The company's brief stated that the information appeared to have been taken from reliable sources.

3. The Statement of Evidence was challenged by C. & D. on grounds that it is a mixture of conclusions on findings of credibility, submissions by way of argument and statements of facts based on some carefully selected documents to the exclusion of others.

4. Acadia-Atlantic contended that the Statement of Evidence failed to include references to facts established by the documents and oral testimony which refute allegations of misconduct against the company. Reference would be made to such omissions. The Statement of Evidence is not a fair summary of documentary and oral evidence and the Director has not drawn the proper inferences of fact and has drawn inferences of fact from and relied upon isolated statements and expressions of opinion which are not warranted by, and are contrary to, the material as a whole.

5. C. & D. denied that the companies agreed upon uniform basis prices. Acadia-Atlantic contended that there is no evidence to support the allegation and that tacit or other agreement was denied by every witness.

6. C. & D. denied that the companies agreed upon package and grade price differentials. Acadia-Atlantic submitted that the evidence shows that such differentials were worked out independently by Acadia-Atlantic.

7. Agreement on transportation charges and delivered prices was denied by C. & D. Acadia-Atlantic submitted that the evidence shows that transportation charges are the published rates of transportation companies which Acadia-Atlantic merely passes on to its customers.

8. C. & D. admitted that the companies exchanged sales figures but denied that the companies arranged their sales policies so as to bring about a substantially constant proportion of the total business in the hands of each. Acadia-Atlantic denied that it has been awarded a proportion of the market by its competitors and submitted that as a Maritime manufacturer the company had to meet a most unfavourable competitive situation in marketing about 65 per cent of its output of a low unit value bulk commodity in Ontario and Quebec, which markets are also served by refineries in Montreal. Acadia-Atlantic denied that it exchanged information with its competitors but stated that it did acquire information through legitimate sources as to market conditions in Eastern Canada.

9. C. & D. denied that the granting of price concessions and other advantages to particular customers was in part the means of holding the companies' proportions of the market substantially constant. On the contrary, it was submitted that such concessions are evidence of an absence of agreement and establish the fact of as full competition among them as the nature of the product permits. Acadia-Atlantic submitted that the allegation of the Director regarding the use of concessions is not supported by any evidence.

10. In regard to the allegation of arrangements relating to the export of refined sugar from Cuba, C. & D. submitted that the refraining from export of more than limited quantities of Cuban refined sugar to Canada was agreed upon and carried out by the Cuban exporters themselves. There can be no doubt that the Canadian refiners were desirous that this should take place, but the evidence is that their representatives urged upon the officials of the Cuban Sugar Institute that in the long run the Cuban sugar industry would be benefited more by selling raw sugar to Canada than by exporting refined sugar there. This argument appealed to the Cuban representatives as a matter of good business judgment. Acadia-

Atlantic submitted that the arrangements were legitimate and reasonable commercial arrangements made in the ordinary course of the company's business. Further, the arrangements made after June 10, 1954 for the purchase of Cuban raw sugar did not differ in their nature from those made previously by the Government of Canada or with its full encouragement, knowledge and consent. C. & D. contended that there was no detriment to the public interest in the arrangements and that they were for the direct benefit of the sugar beet growers of southwestern Ontario. Both Acadia-Atlantic and C. & D. asserted that, in any event, any discussions or arrangement with Cuban sugar producers consisted entirely of acts done outside Canada and hence beyond the jurisdiction of the Combines Investigation Act and the Criminal Code.

11. C. & D. denied that it was a party to any arrangement with other refiners by which certain sugar brokers impeded or prevented the supply of high-grade raw sugars to manufacturers of food products located in Eastern Canada. C. & D. further submitted that the evidence shows that any instance of refraining from supplying raw sugars to Canadian purchasers was at the instance of the exporters of raw sugars, who saw the wisdom of not supplying the customers of the companies who were their largest importers of raw sugar; such policy was adopted by the exporters not as the result of any improper arrangement by the Canadian refiners, but as a matter of business judgment on their own part. It was submitted by Acadia-Atlantic that there is no evidence to support the allegation of the Director in this connection.

12. It was admitted that C. & D. holds shares of Beamish Sugar Refineries Limited, but C. & D. denied that there is any evidence that C. & D. arranged with any other company for the purchase of the shares. Acadia-Atlantic stated that the evidence shows that Mr. P. R. Gardiner received substantially all of the shares of Beamish Sugar Refineries Limited on its incorporation in return for a previous loan and at a later date sold his interest to four refiners.

13. It was submitted on behalf of C. & D. that the position of the company is different from that of either of the other companies concerned, in that the company is the only large refiner in Eastern Canada interested in the growing of sugar beets and manufacturing of beet sugar, and in the marketing of that product, and that much of the activities complained of by the Director were in fact in the public interest in that they were in the direct interest of and for the benefit of the sugar beet growers of southwestern Ontario.

14. Acadia-Atlantic asserted that the evidence in the inquiry proves that the public has been well served by the company,

whose prices were reasonable and beneficial to the public. Further, it was asserted, the evidence refutes the allegation that Acadia-Atlantic entered into agreements or arrangements to prevent or lessen competition in the sugar industry in Eastern Canada .

CHAPTER II

THE SUGAR REFINING INDUSTRY IN EASTERN CANADA

1. Location of Refineries in Eastern Canada

In the description of sugar companies in Eastern Canada given earlier in this report there are some brief references to the early history of sugar production in Canada. Early developments in the Canadian sugar industry are also described briefly in the Commission's report on the sugar industry in Western Canada.[1] At the time of the present inquiry there were two cane sugar refineries in operation at Montreal and one at Saint John, N.B. In addition, C. & D. had beet sugar refineries at Chatham and Wallaceburg in Ontario, the latter plant also being equipped to produce cane sugar. C. & D. also had a new refinery under construction at Toronto which was to come into production in the spring of 1959.

2. Sources of Raw Sugar

Raw cane sugar is by far the most important material used in the sugar industry, as will be seen from Table 1, which gives figures for materials used in the Canadian sugar industry in selected years, 1950 to 1957. Separate statistics are not available for cane sugar refining alone or for the sugar refining industry in Eastern Canada. It was stated by Mr. Seidensticker of Acadia-Atlantic that the cost of raw sugar constituted 75 per cent of total cost for a cane sugar refinery (Evidence, p. 868).

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(1) Department of Justice, Report Concerning the Sugar Industry in Western Canada and a Proposed Merger of Sugar Companies, Ottawa, 1957.

Table 1

Sugar Refining Industry - Materials Used, Selected Years, 1950-57

		1950		1952		1956		1957	
		Quantity	Cost Value at Refinery $	Quantity	Cost Value at Refinery $	Quantity	Cost Value at Refinery $	Quantity	Cost Value at Refinery $
Raw cane sugar	lb.	1,265,026,777	84,576,107	1,105,411,768	70,423,827	1,347,487,603	73,514,345	1,305,204,637	88,063,491
Sugar beets	tons	1,115,858	18,134,234	1,022,669	15,936,918	867,492	14,761,218	1,054,521	15,609,445
Cornstarch	lb.	2,083,116	159,170	2,035,774	182,231	2,201,963	176,954	2,180,780	176,814
Boneblack	"	2,420,826	228,602	2,710,953	292,201	2,706,634	245,760	3,127,005	265,608
Vegetable char	"	-	-	33,150	4,341	-	-	-	-
Infusorial earth	"	5,977,750	205,856	4,040,175	132,796	4,391,505	165,026	4,519,405	174,677
Lime	"	2,101,115	18,632	3,260,105	30,498	5,191,711	50,307	5,292,089	52,772
Limestone	tons	63,119	250,565	48,383	212,161	41,162	189,434	53,775	247,245
Sulphur	lb.	427,057	20,919	342,296	14,741	279,697	9,143	287,405	9,020
Sulphuric acid	"	762,223	11,016	772,121	13,472	677,220	13,081	708,102	14,684
Hydrochloric & muriatic acid	"	345,507	15,111	363,853	16,281	295,655	13,688	306,986	14,036
Phosphoric acid	"	112,750	11,662	98,553	11,136	147,683	13,459	150,200	14,289
Soda ash	"	326,434	9,193	352,672	11,407	346,430	10,556	325,410	10,492
Filtering materials, n.e.s.	-	-	60,429	-	48,224	-	25,750	-	29,610
Other chemical materials	-	-	32,491	-	32,506	-	-	-	-
Containers (bags, boxes, etc.)	-	-	5,298,063	-	5,589,400	-	6,042,339	-	5,864,878
All other materials	-	-	681,053[3]	-	351,568[3]	-	65,789[1]	-	156,184[1]
Operating maintenance and repair supplies	-	not collected		not collected		-	1,662,136	-	1,675,139
Total cost of materials		-	109,713,103	-	93,303,708	-	96,958,985[2]	-	112,378,384[2]

1 Including chemicals

2 Does not include office supplies which amounted to $64,478 in 1956 and $61,448 in 1957.

3 And supplies

Source: Dominion Bureau of Statistics, The Sugar Refining Industry.

The cane sugar crop is harvested at different times of the year in various parts of the world, and sugar refiners arrange their purchases, as far as possible, to conform to the seasonal pattern of production. Thus sugar producers in the British West Indies start grinding cane in January, while grinding in the southern hemisphere, e.g. Australia and Mauritius, usually begins in July. Because of the large stocks of raw sugar carried by Cuban producers supplies can usually be secured from Cuba throughout almost the entire year (Hearing, pp. 632-34). The refinery at Saint John is the only one in Eastern Canada which has shipping services throughout the year and thus can arrange for deliveries of raw sugar on a year-round basis. The other eastern refiners must arrange their deliveries of raw sugar so as to have sufficient supplies for the period when navigation on the St. Lawrence River is closed during the winter. The monthly inventories of raw and refined sugar of the individual eastern refiners during the period 1950 to September, 1955 are shown in Table I in the Appendix.

The importations of raw sugar from various producing countries by Canadian refiners are shown in Table 2.

Table 2

Importations of Raw Sugar for Sugar Refiners, 1950-58[1]

		1950	1951	1952	1953	1954
British East Africa	Cwt.	1,528,591	394,650	437,610	1,295,438	1,851,228
	$	9,590,431	2,788,927	2,128,049	5,519,542	7,723,693
Union of South Africa	Cwt.	-	-	-	-	134,597
	$	-	-	-	-	521,384
British Guiana	Cwt.	2,210,610	2,080,427	2,374,427	1,419,370	2,152,328
	$	13,649,767	14,819,936	13,023,867	5,881,518	8,535,269
Barbados	Cwt.	1,275,288	1,510,072	1,235,761	45,021	784,023
	$	7,275,841	10,254,128	6,542,452	206,197	3,196,835
Jamaica	Cwt.	2,823,839	2,142,338	1,367,191	2,356,526	2,448,772
	$	16,364,279	14,579,508	7,353,700	10,094,174	9,825,527
Trinidad and Tobago	Cwt.	1,319,158	1,196,187	663,003	22,400	224,000[2]
	$	7,602,346	8,157,002	3,697,801	100,992	908,287
Leeward and Windward Is.	Cwt.	-	100,845	-	212,875	246,465
	$	-	677,008	-	908,153	989,663
Australia	Cwt.	1,659,902	1,893,946	580,468	1,877,460	2,076,540
	$	10,966,777	14,129,862	2,802,758	7,595,061	7,662,022
Fiji	Cwt.	1,654,619	783,039	1,165,594	1,189,297	1,341,026
	$	10,131,549	5,944,354	6,467,040	5,551,856	5,777,413
Cuba	Cwt.	89,306	484,239	2,638,277	1,431,376	1,595,694
	$	414,467	3,492,511	11,605,070	5,067,074	5,361,576
Dominican Republic	Cwt.	94,080	78,401	1,222,897	1,290,232	-
	$	413,754	551,994	4,939,344	5,445,318	-
Haiti	Cwt.	-	-	48,003	48,132	-
	$	-	-	206,411	177,609	-
Total Imports	Cwt.	12,655,393	10,664,144	11,733,231	11,188,127	12,854,673
	$	76,409,211	75,395,230	58,766,492	46,547,494	50,501,669

Table 2 (continued)

		1955	1956	1957	1958
British East Africa	Cwt.	1,909,211	-	-	-
	$	7,738,575	-	-	-
Union of South Africa	Cwt.	116,483	57,131	-	-
	$	477,618	21,572	-	-
British Guiana	Cwt.	1,960,471	2,280,675	1,791,617	2,220,471
	$	7,750,513	9,353,167	10,280,771	9,345,640
Barbados	Cwt.	1,420,948	649,705	948,846	291,200
	$	5,761,307	2,660,481	5,867,417	1,321,443
Jamaica	Cwt.	1,608,442	2,634,232	2,405,637	1,599,500
	$	6,322,226	10,874,826	14,884,700	6,569,950
Trinidad and Tobago	Cwt.	362,928[2]	505,395	431,468	580,452
	$	1,395,350	2,045,936	2,873,188	2,296,960
Leeward and Windsard Is.	Cwt.	560,262	472,640	260,960	259,840
	$	2,226,518	1,941,943	1,733,171	1,291,576
Australia	Cwt.	2,283,255	2,234,802	2,436,886	2,724,102
	$	8,288,125	7,336,477	11,558,661	11,178,722
Fiji	Cwt.	1,125,526	1,336,846	1,160,379	1,099,482
	$	5,015,101	6,264,811	7,215,484	5,203,958
Cuba	Cwt.	1,683,688	1,855,321	1,811,800	4,108,771
	$	5,595,609	6,373,287	9,649,698	14,167,290
Dominican Republic	Cwt.	253,176	-	-	71,700
	$	799,983	-	-	267,439
Haiti	Cwt.	-	-	-	-
	$	-	-	-	-
Mauritius	Cwt.	-	2,050,324	2,062,595	1,414,403
	$		7,753,368	10,278,320	5,916,715
Total Imports	Cwt.	13,284,390	14,077,071	13,310,188	14,369,921
	$	51,370,925	54,820,068	74,341,410	57,559,693

1 Values do not include duty.
2 Trinidad only.
Source: Dominion Bureau of Statistics, Trade of Canada.

The following summary of the evidence relating to the operating periods of the various refineries is given in the Statement of Evidence:

"222. Two out of the three refineries regularly refining cane sugar in Eastern Canada are located in Montreal and the third is in Saint John, N.B. The Montreal plants get their raw sugars in before the close of navigation in the fall and do not melt steadily during the period in which navigation is closed. Thus in the returns of information in reply to Question 4(c) C. & D. and St. Lawrence characteristically show that their refineries were not operating for at least $1\frac{1}{2}$ out of the first four months of each year in the years 1950 to 1954, inclusive. On the other hand, the Acadia-Atlantic refinery at Saint John operated steadily during the whole of that period -- although undoubtedly not at full capacity at all times. The winter shut-downs of the Montreal refineries are due, in part at least, to the close of navigation. This not only has an effect on the delivered cost of raw sugars but has an effect on the means and cost of shipment of refined sugars west from Montreal to such places as Toronto, Hamilton, Port Arthur and Fort William to which sugar is shipped by water during the period of navigation and stored for winter withdrawal. Another consideration involved in the non-operation of the Montreal refineries for certain periods in the winter is that sugar sales are not smooth throughout the year. Thus sales records kept by St. Lawrence indicate that in 1954 approximately 17.9% of its business was done in the first quarter of the year, 24.6% in the second, 32.8% in the third and 24.7% in the fourth quarter (ANH 940, 8205)."

Purchases of raw sugar by Canadian refiners are made through sugar brokers, some of whom have world-wide connections. A good deal of business is done with brokers in Montreal, but purchases are sometimes made through other brokers in other cities, particularly New York. According to evidence in the inquiry there are five brokers in Montreal, namely;

Czarnikow (Canada) Limited
Farr & Co. (Canada) Limited
West India Co. (Canada) Ltd.
Robin Austin & Co. Ltd.
Hodgson & Co. Ltd.

(Evidence, p. 118)

The firm of Czarnikow (Canada) Limited, a subsidiary of C. Czarnikow Limited of London, England, does the largest business

of the five and through the parent company has connections with the principal producing countries.

Mr. Leslie Palmer, Manager, Czarnikow (Canada) Limited gave the following evidence of the functions of a sugar broker whose commission is paid by the seller:

"Q. Just what is a raw sugar broker; what does he do; what is his function?

A. Bringing the seller and the buyer together for the purpose of selling raw sugar.

Q. Would you like to give us a few more details about that?

A. We sell raw sugar from the British West Indies, Mauritius, Natal, any part of the commonwealth, also Domingo, any raw sugar with origins where we have connections with sellers -- certain brokers represent certain sellers and other brokers represent other sellers -- when the raw sugar is produced and when the time is come that the seller wants to sell or the buyer wants to buy, we try to bring the two together.

Q. Just stopping you for a moment, you say you represent sellers. Is that a continuing relationship? Does your company have a definite and continuing tie with certain producers in Cuba, etc?

A. Yes, there are certain sellers confine their work to one broker -- there are other sellers who will sell through two or three brokers -- there are occasions when you are selling sugar while another broker may be selling sugar for the same seller at another time, but more or less they select a raw sugar broker and decide to place their sugar through that house.

Q. Does a seller come to you and ask you to sell so much sugar for him or sell his season's sugar for him?

A. Yes, or we go to him -- when you are building up a brokerage business you may go to sellers other than those you already have to try to get their business, but generally the connections on the seller's end have been established over quite a long period through various houses -- there are changes from time to time, but they are established over a fairly long period.

Q. Do you have to go back again with each offer to the seller?

A. Oh, yes!"

(Evidence, pp.76-77)

Also:-

"Q. What information do you supply to sugar refiners in Canada?

A. All the information we can, relating to sales of sugar.

Q. But in your day to day business, what does that involve? Do you supply them with quotations?

A. Yes, and all sales that we can hear of, whether they are in Canada, in the world market, in London or wherever they are.

Q. How do you get to hear of those?

A. Well, we get cables from our London offices in the mornings -- we talk to New York, the brokerage houses in New York to know what is happening in the raw sugar market in Cuba -- we learn from other brokers or other refiners as to sales that have been made in Canada -- there is a general exchange throughout London, New York, Canada and anywhere where brokers are operating; there is a general exchange of information regarding sales and that goes on the whole time, otherwise there would not be a sugar market because it is on the basis of this exchange of information on sales that the market for sugar is set.

Q. Information about any particular sale is freely given once the sale is made?

A. That is right -- there are a few cases where someone or other may say they do not want their sale reported -- if a seller has cut a price and he feels that by keeping the sale quiet he might be able to do three or four more sales before his competitors get to know that sales have been made at that level, he will sometimes say: well, keep it quiet; in which case we do not report it."

(Evidence, pp. 79-80)

Later in his evidence Mr. Palmer said, "It is surprising how quickly secret sales do get out" (Evidence, p. 119).

3. Methods of Purchasing Raw Sugar

During a considerable part of the post-control period covered by the inquiry there were various arrangements among the three eastern sugar refiners for the purchase of raw sugar. The evidence in regard to these arrangements will be reviewed later in this report.

Three methods of purchasing raw sugar were described to the Commission. These were defined by counsel for C. & D. as follows:

> "The first of these is buying firm. That is to say, the sugar is bought today at an agreed price, and it is to be delivered at a specified time. Regardless of changes in the market, that is the contract price between the parties. The second is what is known, in an abbreviated form, as PDA which is 'price day of arrival', in which the sugar is priced by both parties at the price on the day of the arrival of the sugar.
>
> The third is pricing deferred, in which the pricing of the sugar is spread over a period of months, and the risk of change in the market is somewhat spread out or lessened by reason of doing it in that way."
>
> (Hearing, pp. 204-05)

The latter method was described more fully by Mr. J. R. Crawford of St. Lawrence:

> "MR. CRAWFORD: Buying on a deferred pricing basis is the method by which, after your sugar has arrived, you have an arrangement with the seller to price the sugar in any way that you decide you can sell. And it could be that if you expect to use it over the next five months, you would take the daily price, the daily world price, to establish the average cost of the sugar."
>
> (Hearing, pp. 206-07)

Mr. Beaulieu of Acadia-Atlantic gave evidence that his company usually purchased raw sugar on a firm basis. He said that during the period covered by the inquiry Acadia-Atlantic did not attempt to hedge any of its purchases in the futures market conducted

through the New York Coffee and Sugar Exchange but some hedging operations have since been conducted when the company considers this desirable and the futures market is sufficiently active. Mr. Beaulieu said that the futures market is frequently small and would not enable hedging for a substantial part of the purchases made by Canadian refiners (Hearing, pp. 743-44).

For a time in 1953 C. & D. made purchases of raw sugar through Tate & Lyle which resulted in different methods of purchasing than those being followed by St. Lawrence and Acadia-Atlantic.

Concern over the difference in buying methods was expressed in a letter of June 15, 1953, apparently written by Mr. W. J. McGregor to Mr. H.F. Smith, Executive Vice-President of C. & D., which contained the following:

> ". . .
>
> You know we are buying our raw sugar differently with our tie-up with T. & L. and pricing closer to our sales position, which has the greatest approval by Havemeyer and Runge. It is a new departure for me and the worry has damn near put me in bed. I hope to get a policy clarified when we are all together in Montreal June 23rd. We want to avoid speculation as much as possible but we must not give our competitors a chance to put on a squeeze. I can't see any other course than to follow a pattern similar to our competitors of buying in the spring at firm prices, but on the Australians and Mauritius to buy on a deferred pricing basis for fall and winter melting. . .
>
> . . ."

(AOG 1550-51, 12812-13)

The Board of Directors of C. & D. met on June 24, 1953 and "the Board concluded that it would seem desirable for this company to eliminate insofar as possible the necessity for speculation in the purchasing of its raw sugar requirements" (AOG 5070, 12840). By this time C. & D. had arranged to buy 40, 000 tons of Mauritius raws for delivery that year which were to be priced -- 8, 000 tons in each of the months December, 1953 to April, 1954 inclusive (C. & D.'s Return of Information).

During this period Canadian refiners buying Cuban raw sugar under the trade arrangement made by the Canadian government secured a rebate from the Canadian government to offset the difference between the price of Cuban and Commonwealth raw sugar.

By reason of C. & D.'s arrangements with Tate & Lyle for the purchase of raw sugar C. & D. could not get as substantial a rebate on purchases of Cuban raws as could the other two eastern refiners. Also C. & D. only got one-half of any going discount on Commonwealth raws, the other half going to Tate & Lyle (AOG 1619, 12908).

Various aspects of raw sugar purchases were dealt with by Mr. W.J. McGregor in a letter of July 24, 1953 to Mr. H. Havemeyer, a director of C. & D., which contained the following:

> "As long as the government guarantees this rebate I feel we should plan to take advantage of it. We can hardly do this if we permit Tate & Lyle to buy part of our B.W.I.'s as we are bidding against each other. We should secure a large proportion of B.W.I.'s so we don't have to depend so much on Mauritius and Queenslands until mid-September. The nearby B.W.I.'s fit nicely into our melting schedule but the trouble is you can't buy them PDA which would force us into a 'long' position.
>
> Our competitors bought B.W.I.'s heavily August/ September arrival and the Ministry also bought up some 'frees'. This forced us to depend on a cargo of Queenslands for late August arrival which is still causing me concern lest it doesn't arrive in time.
>
> Our Canadian refined price does not follow the No. 4 contract. Consequently it would appear prudent to keep in step with our competitors in buying B.W.I.'s ahead for opening navigation. If they are selling at a discount we could tie in some Cubas and Domingos. We would all be in the same boat as far as raw sugar costs were concerned.
>
> Our position might be 'longer' in the first six months than we discussed in Montreal but how could we get hurt with competitors in the same position? May/September are the heavy consuming months and turnover rapid. If Cuban refined is stopped the market risk is greatly reduced. (It is really the winter inventories where we get stuck especially if we are subjected to Cuban refined.)
>
> If we could map out some careful policy with respect to B.W.I.'s then we could buy through T. & L. for our fall and winter stocks. While they intimated they must have the B.W.I.'s too, I think they would be content with Queenslands and Mauritius.
>
> . . ."

(AOG 1984-85, 12911-12

The No. 4 contract referred to in the above quotation is the world raw sugar price on the New York Coffee and Sugar Exchange and movements in the price of No. 4 contract indicate changes in the world price of raw sugar.

Mr. McGregor's views as to the policy which should be followed by C. & D. in purchasing raw sugar were given in a letter of July 30, 1953 to Mr. H.F. Smith. After stating that the policy was to avoid speculation in raw sugar, Mr. McGregor wrote:

> ". . .
>
> I called attention at our meeting yesterday to our position in relation to our competitors. It is desirable for our company to use B.W.I.'s as the big source of our supply up to end-August following opening navigation. We can supplement this by our proportion of Cuban and Domingo raws imported to Canada under government trade agreements. If we don't buy our proportion of B.W.I. 'frees', our competitors load up with them and force us to depend on Australians or Mauritius even as early as second-half August, which is risky as far as our melt is concerned.
>
> We are unable to purchase B.W.I.'s on deferred pricing so we would be more 'long' in raws when we buy B.W.I.'s firm than was felt desirable. However, we would be in the same position as our competitors and not vulnerable to a squeeze from them. Under such circumstances, I do not see how we could get hurt, especially if Cuban refined is prohibited.
>
> I feel our company should be in step with our competitors on raw sugar costs following opening navigation until possibly end-August on these nearby Caribbean sugars. Should Cuban refined be imported to Canada, refiners cannot compete with Cuban water competition and make a profit. Refiners would just have to allow it to come in and suffer reduction in sales to that extent.
>
> We will not be in the market for six months at least but I feel we should discuss this important matter at our September meeting. It doesn't call for a decision at that time but it would be helpful in charting our future policy.
>
> There should be some solution on these B.W.I.'s where we can be in step with our competitors during the heavy seasonal demand and escape undue market risk."

(AOG 1552-53, 12922-23)

Replying on August 1, 1953 to a letter of Mr. Havemeyer, Mr. W.J. McGregor wrote:

> "I appreciate your letter of July 29th as it is only by frank exchange of views that we can outline a policy.
>
> I had no intention of buying B.W.I.'s now for opening navigation. You will note from copy of my letter to Ian Lyle dated July 16th I stated we would be 'out of the raw market for at least another 8 months.'
>
> Canadian refiners got caught on the market when they paid as high as $7.20 (basis f.o.b. Cuba) during the sugar shortage scare in June 1951. Our raw and refined sugars were written down to market value December 31st, 1951, and most of this inventory loss would have been recovered had it not been for imports of Cuban granulated competing on our market in February 1952 and thereafter.
>
> I think you will recall that despite my objections, Central Agency bought too heavily in the first half of 1952. Meanwhile Canadian refined was drastically reduced in a foolish effort to stop Cuban refined.
>
> . . ."

(AOG 1983, 12933)

On September 16, 1953, Mr. W.J. McGregor wrote to Mr. Peter Runge of Tate & Lyle and mentioned certain purchases of raw sugar by each of the three refiners. His letter went on:

> ". . .
>
> We calculate that St.Lawrence has an average price of $4.67 c.i.f. Montreal and Atlantic $4.73 c.i.f. St. John, after making allowances for government rebates on non-Empire raws. The low average price obtained by our competitors was due to great extent to the discount on Empires and government rebates on non-Empires. Taking Cubas at $3.25 figures $4.53 c.i.f. Montreal.
>
> Canadian refined prices have not followed the No. 4 contract. We declined 15¢ September 2nd to basis $7.90 less 5 per cent Montreal, or $7.50 net. Comparing Cubas $3.25 or $4.53 c.i.f. plus duty 29¢, making $4.82 duty paid, gives a spread of $2.68. There will probably be a gradual decline in refined prices if raw prices continue weak but the refiners will

endeavour first to work off their higher priced raws. This can only be achieved when we are not subjected to Cuban refined competition. None is coming into Canada, except Newfoundland, at the present time but I will be uneasy until the Cuban/Canadian raw sugar agreement is renewed and finalized.

. . ."

(ANI 29-30, 989-90)

In another letter to Mr. Runge, also dated September 16, Mr. McGregor wrote:

". . .

(6) Without Cuban refined competition, Canadian refined prices could be properly based on refiners' cost of raw sugar, which removes a great part of the speculative risk. By going along with our competitors on raw purchases, but exercising our own judgment, we would not be so vulnerable to a squeeze by our competitors especially during the heavy consuming months.

. . ."

(ANI 26-27, 986-87)

At this particular time C. & D. had an advantage in costs on some of its raw sugar purchases through Tate & Lyle. Mr. Runge referred to C. & D.'s current position in a letter of October 26, 1953 to Mr. McGregor, in which he wrote:

". . .

. . . I have never been able to visualize the position where your competitors can squeeze you because world prices are advancing. It presupposes that they are out to put you out of business, come what may. It would be madness not to advance refined prices in line with raw prices. Not to do so would be for them to cut off their noses to spite their faces.

Surely the boot is on the other leg. <u>They</u> must be terrified of a squeeze from <u>you</u> on a <u>falling</u> market. You are in a position at the moment to squeeze them so hard that they would look like dead toothpaste tubes.

. . ."

(AOG 1596-98, 13190-92)

Mr. McGregor made the following comment in a reply dated October 29, 1953:

> ". . .
>
> The boot is on the other leg alright at the moment but don't worry about anyone fearing a squeeze from me, falling market or otherwise.
>
> . . ."
>
> (OAG 1594-95, 13211-12)

The circumstances under which a "squeeze" might take place had apparently been discussed earlier in the year between Mr. McGregor and Mr. R.H. Seccombe of Tate & Lyle. The latter wrote to Mr. McGregor on May 20, 1953 as follows:

> "I am so glad that we had an opportunity this afternoon for a short chat on the situation in which you are placed. I had, through ignorance, supposed that your day-to-day internal price for sugar was always based, as it was before the war in the U.K., on the current price of raw sugar. It seems from what you say that this is not so and that prices are primarily based on the value of raw sugar actually purchased by anybody, and that if one refiner has purchased sugar cheaper than another, or vice versa, somebody is liable to be squeezed.
>
> . . ."
>
> (AOG 1645A-1646, 12764-65)

The policy of C. & D. in purchasing raw sugar was reviewed at a meeting of the Board of Directors on November 17, 1953. A draft copy of the minutes records the following:

> ". . .
>
> The President reviewed the company's raw sugar-buying policy adopted at meeting June 24, 1953. At that time it was decided to buy the balance of our 1953 requirements of raw sugar on deferred pricing basis. The idea was to avoid speculation as much as possible, pricing each month sufficient raw sugar to cover estimated refined sales of the following month. The President considered that the policy should be made more flexible and management able to price firm blocks of around 5, 000 tons when thought advisable, in which the Board concurred.

After discussion, it was decided that the buying policy adopted June 24th should no longer be considered a hard and fast policy.

The President pointed out the necessity of formulating a policy with respect to purchase of B.W.I. raw sugar for arrival after opening navigation 1954, as well as quotas of Cuba and San Domingo raw sugars providing Trade Agreements with these latter countries are renewed next month. In such event, it was decided that the company should buy its quotas of non-Prefs. at firm prices in conjunction with B.W.I.'s to obtain maximum government rebates and to insure nearby sugars for continuous melt from opening navigation until end-August.

Should Cuba continue to prohibit exports of refined sugar to the mainland of Canada, it was considered unnecessary to hedge against future purchases of raw sugars.

Purchases of Queenslands and Mauritius for fall and winter requirements in 1954 might be arranged on a deferred pricing basis either through T. & L. or direct, whichever appears the more prudent in view of later developments.

. . ."

(AOG 5047X-49, 13331-34)

On December 15, 1953 Mr. Ian D. Lyle wrote to Mr. W.J. McGregor as follows:

". . .

I am still not quite sure that your policy of buying B.W.Is. firm without hedging is correct. While I agree that your present method of following the prices of the other Refiners is in itself a sort of insurance, I feel that in the long run C. & D. would be better off if they cut adrift from this policy and bought close up to the market, hedging if buying for supplies results in too great a long interest. I feel sure that the other Refiners would be bound to follow and that you would all be selling in relation to the No. 4 Market in due course. However, in the meanwhile I am sure that we all agree over here that no harm can come to C. & D. by following your present policy.

. . ."

(AOG 1581-82, 13371-72)

Mr. McGregor's reply of December 21, 1953 contained the following:

> "It was nice to receive your letter of December 15th. If Canada reaches some understanding with Cuba whereby the refiners will take a certain tonnage of Cuban raws and Cuba in turn continues to prohibit exports of Cuban refined to Canada, then our policy of buying B.W.I.'s firm should prove sound. We must have nearby sugars for our melt to August 31st.
>
> With this set-up, and as long as C. & D. is able to keep its average cost of raw sugars somewhat in line with competitors', I feel we will be safe without hedging. It is competition from low-cost foreign refined sugar which causes all our troubles. We had none of these worries between 1932-1939 while Fixed Valuation for Duty Purposes was in effect.
>
> I have some plans in mind which eventually may lead to our refined price following No. 4 contract more closely. This will take time. I am doing whatever I can to keep us free from Cuban refined but it is asking too much to expose myself further to ruthless political attacks. It will be most unfortunate if constructive measures are not taken to persuade Cuba to continue her refined export ban. I have not been laggard in this respect over here but it calls for unlimited patience.
>
> . . ."

(AOG 1577-78R, 13385-86)

Some later developments in regard to purchases of raw sugar on a deferred pricing basis will be reviewed further on in this report.

4. Production of Cane and Beet Sugar

Because of the few companies which have been engaged in the production of refined sugar in the different regions in Canada, the Dominion Bureau of Statistics has published statistics for the industry only on a country-wide basis. Table 3 shows the production of cane and beet sugar in Canada since 1926. It will be noted that the proportion of beet sugar to total production tends to fluctuate from one year to another but that there was a general upward tendency in the early 1950's.

Table 3

Production of Refined Sugar in Canada, 1926-58

(thousands of pounds)

Year	Cane	Beet	Total	Beet Per Cent of Total
1926	1,068,394	70,388	1,138,782	6.2
27	918,164	60,969	979,133	6.2
28	862,964	64,653	927,617	7.0
29	862,502	69,399	931,901	7.4
1930	848,233	94,625	942,858	10.0
31	891,000	107,139	998,139	10.7
32	812,482	132,017	944,499	14.0
33	740,198	131,393	871,590	15.1
34	774,760	114,003	888,763	12.8
35	849,160	119,858	969,018	12.4
36	937,225	156,066	1,093,291	14.3
37	905,113	120,440	1,025,553	11.7
38	900,449	143,014	1,043,463	13.7
39	987,266	169,320	1,156,587	14.6
1940	943,205	213,603	1,156,807	18.5
41	1,010,874	215,879	1,226,753	17.6
42	612,052	189,067	801,119	23.6
43	741,289	129,268	870,557	14.8
44	852,299	165,319	1,017,618	16.2
45	816,692	163,838	980,530	16.7
46	754,166	205,780	959,945	21.4
47	928,447	156,263	1,084,710	14.4
48	1,182,498	175,641	1,358,139	12.9
49	1,161,058	224,854	1,385,912	16.2
1950	1,227,764	300,185	1,527,950	19.6
51	1,062,684	247,753	1,310,437	18.9
52	1,122,877	298,245	1,421,122	20.9
53	1,103,991	245,476	1,349,467	18.2
54	1,208,477	232,075	1,440,551	16.1
55	1,303,615	274,517	1,578,132	17.4
56	1,306,015	246,622	1,552,637	15.9
57	1,271,565	261,684	1,533,249	17.0
58	1,331,795	340,285	1,672,080	20.4

Sources: Dominion Bureau of Statistics, The Sugar Refining Industry; 1958 figures from Dominion Bureau of Statistics, The Sugar Situation, December, 1958.

The production of granulated sugar constitutes the predominant part of the output of Canadian sugar refiners. At the same time yellow or brown sugar and icing and loaf sugar are significant items in the production of cane sugar refineries. These so-called "specialty items" are confined to the cane sugar refineries because beet sugar has not been found suitable for such products. The Statement of Evidence has the following paragraphs relating to the position of brown or soft sugar in the operations of cane sugar refineries in Canada:

> "209. Another product of a sugar refinery is brown or soft sugar, which retains some part of the molasses of the raw. A refiner has some choice in his operation as to what proportion of soft sugars and molasses he will turn out from given raws. In other words, he may wish, because of market conditions to maximize the amount of white granulated sugar realized from the raw in which case the yield of soft sugars will be relatively low and the yield of molasses relatively high. If, however, prices are favourable the refinery may be operated to get a slightly lower proportion of granulated sugar, a higher proportion of brown sugars and a smaller amount of molasses per 100 lbs of raw.
>
> 210. In evidence, L. J. Seidensticker of Acadia-Atlantic said that 'soft sugars' constituted 11 or 12 per cent of the output of his company (Evidence p. 965). His evidence on soft sugars included the following:
>
> > '...the situation is this, that if you do not make soft sugars, then what you have to do is to return the material out of which those soft sugars are to be made into what would be called remelts and boiled sugars, that do not go out to the trade, but go back into the process. You can take in soft sugar, and calculate what there is in that soft sugar in the form of granulated, and in the form of final black-strap. There is a profit there.'
> >
> > (Evidence p. 978)
>
> 211. According to an estimate made in the Acadia-Atlantic organization in 1951, there was an 'extra profit of around $1.00 per 100 lbs. due to water and impurities in softs' (AND 1643A, 4639).
>
> 212. An analysis of 'Grade and Package Differentials' made in March 1953 within the Acadia-Atlantic organization includes a paragraph at page 12 which shows how this conception of there being an extra profit on soft sugars arises and is measured:-

'SOFT SUGAR

Soft sugar is sold at a differential under granulated in recognition of the fact that it contains impurities of lower value than sugar, and also contains water. In spite of the differential the refinery makes a profit depending on analysis of softs, of somewhere around $1.10 per 100 lbs. over the profit on granulated, based on current prices of granulated and the alternative product, blackstrap, at 1.2¢ per dry pound (about 14.5¢ per Imp. Gal.) The costs of packing the different grades of softs are calculated below in comparison with the cost of packing softs in 100 lb. Jute bags with asphaltic paper liners. It should be borne in mind with respect to each grade that there is an additional profit of about $1.10 per 100 lbs. for the reasons above given.'

(AND 1672, 5265-86)

213. On December 6, 1938 C.H. Houson, president of C. & D. sent to E.T. Rogers of B.C.S.R. a copy of a survey that had been made of the sugar industrv in eastern Canada with a view to the establishment of a new refinery at Montreal (AMF 50B, 16746). On page 12 of that survey the following appeared:

'There is a very great difference in favor of refining practice in Canada as compared to this country in respect to yellow sugar. In Canada, yellow sugars constitute about 12% of total sales. Consequently, the refiners make 87 lbs. of granulated and 12 lbs. of yellow instead of 93 lbs. of granulated and 6 lbs. of molasses. The net result is that they net about 15¢ more per hundred pounds of raw than they would under the practice in this country (U.S.A.) with the same spread between raw and refined. Moreover, this is an added protection against importation of refined sugar from countries producing mainly granulated sugar.'

(AMF 62, 16758)

Presumably if the price of raw sugar advanced the net extra income of 15¢ would increase.

214. St.Lawrence figures show that 11.08% of its output in 1951 was soft sugar, and for 1952 and 1953 the percentages were 11.88 and 10.89 respectively (ANH 347B, 9780)."

The quantity and value of shipments of the various products of Canadian sugar refineries for the years 1952 and 1957 are shown in Table 4.

Table 4

Shipments of Sugar and By-Products,
Canada, 1952 and 1957

		Shipments			
		1952		1957	
		Quantity	Value of Shipments $	Quantity	Value of Shipments $
Sugar:					
Made from cane	lb.	1,118,483,813	99,206,146	1,274,769,000	125,093,000
Made from beets	"	256,976,478	25,023,261	243,246,000	24,486,000
Total sugar	"	1,375,460,291	124,229,407	1,518,015,000	149,579,000
Granulated	"	1,169,198,858	104,960,982	1,298,661,000	125,995,000
Yellow or brown	"	126,067,934	10,925,303	124,923,000	12,748,000
Pulverized (no starch added)	"	3,450,571	338,423	8,540,000	884,000
Icing (starch added)	"	64,965,501	6,616,130	73,117,000	8,111,000
Loaf	"	11,777,433	1,388,569	12,774,000	1,841,000
Syrups (not including molasses)	"	8,956,000	867,679	17,584,000	1,812,000
Molasses:					
Made from cane	"	19,272,000	330,832	1	1
Made from beets	"	67,000,000	1,156,933	1	1
Total molasses	"	86,272,000	1,487,765	98,520,000	1,461,000
Beet pulp,wet or dried	tons	108,509	2,453,447	131,599	2,171,000
Other products		-	-	-	-
Total value of shipments		-	129,038,298	-	155,023,000

1 Included in total.

Source: Dominion Bureau of Statistics, The Sugar Refining Industry.

Table V in the Appendix gives the principal statistics of the Canadian sugar refining industry for selected years, as compiled by the Dominion Bureau of Statistics. As already mentioned, the principal item of cost in the case of cane sugar refining consists of the cost of raw sugar. For the sugar refining industry as a whole, salaries and wages represented 6.6 per cent of the gross selling value of shipments in 1950 and 7.8 per cent in 1957. The proportions of value added by manufacture represented by salaries and wages were 29.9 per cent in 1950 and 29.7 per cent in 1957. The cost of materials, other than raw sugar or sugar beets, together with the cost of fuel and electricity, formed 5.62 per cent of the gross selling value of shipments in 1957 (Table 1, and Table V in the Appendix).

5. Consumption of Refined Sugar

From the evidence in the inquiry it appears that eastern refiners consider that the per capita consumption of sugar is relatively constant from one year to another so that estimates as to the available market for sugar in any region, with due allowance for the location of sugar-using industries, can be made on the basis of population. The Statement of Evidence contains the following summary of evidence relating to the consumption of sugar:

> "62. When giving evidence Mr. Seidensticker said the annual per capita consumption of sugar in Canada was 'in the neighborhood of 96 or 97 pounds' (Ev. p. 1016). He also pointed out that the apparent per capita consumption in the Maritimes was about 80 pounds as compared with 105 pounds in Ontario. He said that not all of this 105 pounds would be consumed in Ontario, a good deal of it going into sweetened goods which were shipped to the Maritimes. This points up the fact that close to 50% of the sugar sold by the eastern cane sugar refiners is sold to manufacturers of food and beverage products (see Table XIII page 76) [Table 13 in this report]. Table VIII which follows [Table 5 in this report] gives some information on the domestic disappearance of refined sugar in Canada. The table covers the depression years of the 1930's and the years of World War II when rationing was in effect from 1942 to 1947. Although the figures show wide variations in per capita disappearance as between different years this does not necessarily mean that per capita consumption changed to the same degree. Sugar is a commodity which goes into inventories, whether domestic or industrial, on any slight threat of shortage or price increase. So soon as the emergency is over the stored sugar goes into use and inventories drop.

So, for the time being do sugar refiners sales. Thus for a time just as much sugar may be consumed but disappearance figures may drop.

63. When giving evidence Mr. Seidensticker indicated it to be his belief that price changes do not affect consumption (Ev. p. 1279). This means that sugar is a commodity for which there is an inelastic demand. That the per-capita consumption declined significantly during the early 1930's does not seem to affect the validity of this general proposition.

64. In Appendix II [in the Appendix to this report Tables II and III] certain figures are given on the use of sweeteners in Canada and the United States. Whilst those figures show that there are substitutes for sugar, some being cheaper and some being more expensive, they do not show that there has been any substantial trend towards an increase in their use at the expense of the sugar industry. There does not seem to be any suggestion that such a trend is developing or will develop. Nor is there any report that a process for the manufacture of a synthetic substitute for sugar that could be a threat to the industry has been developed.

65. From the foregoing it seems clear that refined sugar in Canada is a commodity for which there is a sizeable, continuing, demand that is not at present being threatened in any significant degree by competition from substitutes."

Table 5

Domestic Disappearance of Refined Sugars, 1926-58

(thousands of pounds)

Year	Production	Imports (Includes Raw Sugar Imported by Other than Refiners)	Exports	Domestic Disappearance	Per Capita Disappearance[1]
1926	1,138,782	30,550	285,215	884,117	93.5
27	979,133	34,322	195,752	818,203	84.9
28	927,617	46,034	48,140	925,511	94.1
29	931,901	41,593	28,531	944,964	94.2
1930	942,358	50,813	21,815	971,855	95.2
31	998,139	20,706	14,938	1,003,907	96.7
32	944,499	3,787	9,048	939,237	89.4
33	871,590	5,459	17,994	859,055	80.8
34	888,763	5,104	10,687	883,181	82.2
35	969,018	4,292	3,807	969,502	89.4
36	1,093,291	4,926	3,753	1,094,464	99.9
37	1,025,553	7,577	2,466	1,030,664	93.3
38	1,043,463	9,995	3,323	1,050,135	94.2
39	1,156,587	7,990	1,804	1,162,773	103.2
1940	1,156,807	17,822	486	1,174,143	103.2
41	1,226,753	23,995	7,867	1,242,881	108.0
42	801,119	15,581	16,143	800,557	68.7
43	870,557	15,446	2,239	883,764	74.9
44	1,017,618	14,182	16,395	1,015,405	85.0
45	980,530	11,386	44,780	947,136	78.5
46	959,945	15,574	2,098	973,421	79.2
47	1,084,710	18,072	2,296	1,100,486	87.7
48	1,358,139	16,175	1,074	1,373,240	107.1
49	1,385,912	8,493	1,690	1,392,715	103.6
1950	1,527,950	12,650	21,004	1,519,596	110.8
51	1,310,437	26,138	2,373	1,334,202	95.2
52	1,421,122	46,978	10,638	1,457,462	101.0
53	1,349,467	44,182	4,600	1,389,049	94.0
54	1,440,551	27,442	628	1,467,365	96.6
55	1,578,132	30,423	2,303	1,606,252	102.3
56	1,552,637	29,247	1,261	1,580,623	98.3
57	1,533,249	28,818	1,841	1,560,226	94.1
58	1,672,080	33,250	1,792	1,703,538	99.9

1 Based on population figures as given in Canada Year Books. For 1958 based on Dominion Bureau of Statistics Memo, Estimated Population by Provinces.

Sources: Dominion Bureau of Statistics, The Sugar Refining Industry; for 1958, The Sugar Situation and Trade of Canada.

6. Production of Beet Sugar

There has been production of beet sugar in Ontario continuously since 1902 and in Quebec since 1944. Production of beet sugar in Western Canada, after an abortive start in the early part of the century, began again in 1925 and by 1937 had surpassed production in Eastern Canada, as will be seen from Table 6.

Table 6

Production of Beet Sugar in Canada, 1931-58

(thousands of pounds)

Year	Total Beet Sugar Produced in Canada	Total Beet Sugar Produced in Western Canada	Total Beet Sugar Produced in Eastern Canada	Percentage of Beet Sugar Produced in Eastern Canada
1931	107,139	31,042	76,097	71.0
32	132,017	45,866	86,151	65.3
33	131,393	46,261	85,132	64.8
34	114,003	53,009	60,994	53.5
35	119,858	44,451	75,407	62.9
36	156,066	65,300	90,766	58.2
37	120,440	75,604	44,836	37.2
38	143,014	78,899	64,115	44.8
39	169,320	80,354	88,966	52.5
1940	213,603	115,595	98,008	45.9
41	215,879	115,741	100,138	46.4
42	189,067	130,021	59,046	31.2
43	129,268	110,755	18,513	14.3
44	165,319	122,494	42,825	25.9
45	163,838	118,413	45,425	27.7
46	205,780	131,528	74,252	36.1
47	156,263	114,630	41,633	26.6
48	175,641	111,863	63,778	36.3
49	224,854	113,851	111,003	49.4
1950	300,185	159,802	140,383	46.8
51	247,753	120,846	126,907	51.2
52	298,245	177,988	120,257	40.3
53	245,476	157,716	87,760	35.7
54	232,075	167,189	64,886	28.0
55	274,517	178,310	96,207	28.3
56	246,622	not available	-	-
57	261,684	not available	-	-
58	340,285	not available	-	-

Sources: Dominion Bureau of Statistics, The Sugar Refining Industry; Dominion Bureau of Statistics, The Sugar Situation; Department of Justice, Report Concerning the Sugar Industry in Western Canada and a Proposed Merger of Sugar Companies, Ottawa, 1957, p. 52, and Returns of Information.

The return of information submitted by C. & D. contained figures of the company's beet sugar production. The following are the figures for 1949 to 1954:

Year	Beet Sugar Produced
	lb.
1949	93,462,304
1950	104,100,744
1951	93,668,829
1952	96,742,225
1953	67,337,068
1954	57,711,086

Figures of beet sugar production are also contained in the published annual reports of C. & D. The following statistics for acreage and production are given in the annual reports for the years indicated:

Year Ended	Acres Harvested	Tons of Beets Produced	Beet Sugar Produced
			'000 lb.
Mar. 31, 1955	23,568	256,759	57,291
Mar. 31, 1956	18,723	268,063	67,427
Mar. 31, 1957	14,158	144,653	41,605
Mar. 31, 1958	19,737	265,265	-

With modern refinery methods beet sugar can be produced with no physical differences from cane sugar but there may be a preference on the part of some users, household and industrial, for cane sugar. In some territories, therefore, beet sugar is sold at a lower price than cane sugar. Apart from this differential beet sugar is priced in direct relationship with the price of cane sugar and consequently its price is affected by changes brought about by developments in the world market for raw sugar. Because of transportation charges, the price of refined cane sugar increases in proportion to the distance from a refining centre such as Montreal or Vancouver. As beet sugar is sold in direct relationship to cane sugar, the transportation charges on the latter provide an added margin or degree of protection for the production of beet sugar in areas some distance from cane refining centres. This margin, of course, is considerably larger in Western Canada than it is in Ontario. The result has been that the interest of farmers in growing sugar beets in Ontario has tended to increase or decrease with the rise or fall in the price of raw sugar, with its consequent effect on the return from the production of sugar beets, to a greater extent than appears to have been the case in Western Canada. Table 7 shows the acreage in sugar beets by provinces for the period 1946-59.

Table 7

Sugar Beets - Acreage in Canada by Provinces, 1946-59

(acres)

	Average 1946-50	Average 1951-55	1956	1957	1958	1959
CANADA	74,160	87,963	78,786	83,743	97,845	98,146
Quebec	4,956	7,432	5,670	5,889	5,949	4,400
Ontario	24,736	25,615	14,158	19,741	31,588	33,996
Manitoba	13,160	19,437	22,808	21,419	22,000	24,500
Alberta	31,308	35,479	36,150	36,694	38,308	35,250

Source: Department of Agriculture, The Current Review of Agricultural Conditions in Canada, January, 1959 and November, 1959

Since 1957 a support price for sugar beets has been provided by the Agricultural Stabilization Board through a system of deficiency payments. The basis is described as follows in The Current Review of Agricultural Conditions in Canada for January, 1959:

> "As in 1957, a support price is available for the 1958 sugar beet crop. Support for sugar beet price is offered by the Agricultural Stabilization Board through a system of deficiency payments. The support program is based on the processor's return, f.o.b. factory, for sugar, and the normal relationship between the processor's return on sugar and the producer's return on sugar beets. Under this system a deficiency payment, if necessary, will be made to producers to bring sugar beet prices up to a level equivalent to a prescribed processor's price. In Ontario this prescribed processor's price is, for 1958, \$7.98 per hundredweight for refined sugar, which is broadly equivalent to \$13.00 per ton of sugar beets. . ."

A further review of the support price program was given in The Current Review of Agricultural Conditions in Canada for November, 1959 as follows:

> "The Agricultural Stabilization Board was authorized to support the 1958 crop of sugar beets, by means of payments to producers if the average wholesale price for refined sugar

produced from the crop was less than $9.90 per hundredweight in Alberta, $9.38 per hundredweight in Manitoba, and $7.98 per hundredweight in Ontario. Under this authorization Quebec producers were to receive the same payments per hundredweight as were made in Ontario. It is likely that some payments will be made since sugar prices in Canada throughout the year were low, in line with prices for raw sugar on the world market. During the crop year the average of monthly quotations for refined sugar, wholesale, at Montreal was $7.24 per hundredweight, compared with $8.30 per hundredweight in 1957-58.

The Agricultural Stabilization Board has also been authorized to support the 1959 sugar beet crop. The new program is similar to that for the 1958 crop, except that support prices have been set as follows: in Alberta $9.79 per hundredweight; in Manitoba, $9.26 per hundredweight; and in Ontario, $7.90 per hundredweight. Quebec producers will again receive the same payments as made in Ontario.

World sugar production continues to exceed total consumption, according to estimates made by international reporting agencies. Raw sugar prices, f.a.s. Cuban ports, dropped to 2.55 cents per pound in July of this year, the lowest level since 1941. They have since recovered to 3.08 cents per pound at the end of September, apparently on the strength of reports of a smaller European sugar beet crop. However, prices are still well below those a year earlier. If Canadian sugar prices maintain their usual relation to world prices during the 1959-60 marketing year they will not average any higher than during 1958-59 unless there is a substantial (and unforeseen) rise in world prices."

The beet sugar acreage in Ontario declined substantially from 1952 to 1956 but a marked increase occurred in 1958 and 1959 as shown from Table 8.

Table 8

Acreage, Production and Value of Sugar Beet Crop in Ontario, 1950-59

Year	Area	Yield per Acre	Total Production	Farm Price Per Unit	Total Farm Value
	acres	tons	'000 tons	$	$'000
1950	33,550	11.51	386	15.57	6,010
1951	31,471	10.85	342	15.92	5,436
1952	31,563	10.52	332	14.36	4,769
1953	22,771	10.79	246	12.86	3,158
1954	23,504	10.92	257	10.08[1]	2,586
1955	18,725[1]	14.32[1]	268[1]	11.50[2]	3,083[2]
1956	14,158	10.22	145	15.24	2,205
1957	19,741	13.44	265	13.62	3,614
1958	31,588	14.64[1]	463	11.86[3]	5,725[3]
1959	33,996[1]	14.27	485	-	-

1 Revised.

2 Based on estimated total payments.

3 Based on initial payments only.

Source: Dominion Bureau of Statistics, Quarterly Bulletin of Agricultural Statistics

The acreage of sugar beets in Quebec remained relatively stable from 1955 to 1958 and declined in 1959.

Table 9

Acreage, Production and Value of Sugar Beet Crop in Quebec, 1950-59

Year	Area	Yield per Acre	Total Production	Farm Price per Unit	Total Farm Value
	acres	tons	'000 tons	$	$'000
1950	11,750	12.50	147	13.00	1,911
1951	10,000	9.67	96	15.00	1,446
1952	7,892	11.00	87	14.00	1,216
1953	7,025	10.01	70	13.00	914
1954	6,473	10.44	68	13.00	879
1955	6,035[1]	12.73[1]	77[1]	13.00[2]	999[2]
1956	5,670	9.67	55	15.00	823
1957	5,890	12.98	76	14.00	1,070
1958	5,949	10.92[1]	65	13.00[3]	844[3]
1959	4,400[1]	11.36	50	-	-

1 Revised.

2 Based on estimated total payments.

3 Based on initial payments only.

Source: Dominion Bureau of Statistics, Quarterly Bulletin of Agricultural Statistics.

Mr. W.J. McGregor, President of C. & D., made the following comments in his evidence on the difficulties in maintaining the production of sugar beets in Ontario:

"A. . . . our great trouble has been the low world price in recent years of raw sugar, which naturally reflects in a lower price for beet sugar and cane sugar, refined cane sugar, and competing cash crops such as tomatoes and tobacco and corn and soy beans have had a very steady high price for them, and until the last two years prices of those competing cash crops have been chipping off substantially some of our hopes that the farmers will swing back to sugar beets.

. . .

A. With the removal of controls, the prices started to rise, the price of raw sugar, and by 1950 we had regained

sufficient beets to operate our two beet plants satisfactorily, and that continued until 1953 and by that time world sugars had taken a nose dive again -- the Korean war was in the meantime and then a scare of shortages -- it just popped down terrifically, so that by 1953 our acreage was down again -- it was disappointing to us, and other competing cash crops were quite strong in price, and 1954 was similar to 1953 except that we had one of the worst seasons we have ever experienced, drought and flood rains in October during harvest time, disappointing to farmers.

. . .

A. . . . may I add right there that in 1953 and 1954 the acreage was low, and in 1955 it was much lower than we wanted, so we did not have a capacity operation in either period and we only operated about one month in Wallaceburg in 1955 and towards two months at the Chatham plant?"

(Evidence, pp. 425-28)

C. & D. makes individual contracts each year with farmers in Ontario for the growing of sugar beets. The following paragraphs from the Statement of Evidence describe the contract system prior to the introduction of the support price in 1957:

"241. In Ontario the company each year enters into individual contracts with farmers who grow sugar beets. Copies of the contract forms for each of the crop years 1949 to 1955 were included in C. & D.'s first return of information to the Director. (Exhibit 15, Question 23).

242. The farmer is paid for sugar beets on a per ton basis which varies depending upon a number of things. The first variable is whether the beets are delivered to the company's factory or to a weigh station. Prices paid at a weigh station have been 75¢ per ton less than paid at the factory. The amount the farmer receives for a ton of beets also varies with the percentage of sugar contained in them and the average net return per 100 lbs. received by the company on sales of beet sugar. The following table from the 1954 contract, which assumes a return to the company of $2.77 per net ton of sugar beets for beet-pulp and molasses, illustrates the points involved:

FOR WAGON OR TRUCK DELIVERY AT FACTORY

	Average Net Return Obtained for Sugar		
	$7.00	$8.00	$9.00
	SCALE OF PRICES PER TON OF BEETS		
Sugar in Beet			
13%	8.85	9.80	10.75
14%	9.55	10.60	11.65
15%	10.25	11.40	12.55
16%	10.95	12.20	13.45
17%	11.65	13.00	14.35
18%	12.35	13.80	15.25
19%	13.05	14.60	16.15
20%	13.75	15.40	17.05

243. For the years 1949 to 1954, inclusive, C. & D.'s average net revenue per 100 lbs. of beet sugar sold and average per ton payments for sugar beets delivered to a factory were:-

	Average Net Revenue Per 100 lbs Beet Sugar Sold	Average Per Ton Payment for Sugar Beets-at Factory
1949	$ 8.5161	$13.8566
1950	10.0114	15.8293
1951	9.8166	16.1743
1952	8.3847	14.6543
1953	7.8189	13.1568
1954	7.6107	10.4522

In 1938 the average per ton payment, at the factory, for sugar beets was $6.9270 per ton.

244. In a letter written by W.H. Punchard, Treasurer of C. & D., to Ian D. Lyle of Tate & Lyle, Limited on August 21, 1953 the following information on beet sugar and sugar beets was given:-

'Under Ontario Legislation, however, all contracts for growing of sugar beets must be approved by The Farm Products Marketing Board. Although we contract with individual growers there is a definite procedure which must must be followed before we put out a contract. Representatives of our company and the local Sugar Beet Growers' Association meet and negotiate a contract for th the coming year but before contracts can be entered into with individual growers, they must be approved by the Government Board. As far as we know no other province has such legislation.

We are attaching copy of 1953 beet contract which is quite complicated. To sum the principle up, the grower is paid $1.00 per ton more than 50% of the net revenue received by the company from its sale of sugar, dried beet pulp and molasses produced from a ton of beets. Attached is simple calculation which does not make allowance for variations in extraction etc. but may be helpful in explaining principle of participation.

. . .

As for beet sugars, they are sold at a differential below the price of cane sugar. We of course endeavour to sell our beet sugars as close to the factories as possible as comparatively high equalized rates exist to these points and freight rates are lower. This is done to give us the best possible net on our beet sugars.'

The attachment read as follows:

'CALCULATION OF CONTRACT PRICE FOR BEETS

Assume 1 ton of 16% beets produces:-

250# sugar	which sells for $8.00 net per 100# or	$20.00
100# pulp	" " " 30.00 net per ton or	1.50
85.1# molasses	" " " 30.00 net per ton or	1.277
	Total net proceeds	$22.777

50% would be $11.388
extra to grower 1.00
$12.388

Price per scale in contract for 16% under $8.00 sugar column

$12.20
.188 Additional payment for 1953

$12.388'

(AOG 3560A, 12999-13001)

(The contract scale depends upon the net return for sugar. See paragraph 242.)

. . .

246. It is clear from the foregoing that the sugar beet farmer's return per acre is influenced by his tonnage yield per acre, the sugar content of his beets and by the current selling price of sugar. The crop is more attractive to the farmer when the selling price of granulated sugar is comparatively high. Obviously per acre revenues available to the farmer were greatly reduced in 1954 as compared with say 1950 and 1951. Because of prevailing refined sugar prices being comparatively low in the early part of 1954 the farmer would expect revenues to be down and consequently contracts for acreage of sugar beets would not be so attractive to him as in earlier years when sugar prices were generally higher.

247. It may be seen from the scale quoted above that, for example, for each ton of beets with 16% sugar content the farmer's revenue moves up or down about $1.25 for each $1.00 change in the net revenue for 100 lbs. of sugar. Thus a drop of $1.00 in the price of sugar to a farmer with 10 acres planted from which he got 11 tons per acre of beets of 16% sugar content would mean a decrease in revenue of approximately $137.50 (Average sugar content in 1953 was 17.73% and in 1954 14.7%).

248. Thus one of the facts of a beet sugar industry in Ontario is that in times of general prosperity during which the world price of raw cane sugar is stabilized at comparatively low levels the beet sugar manufacturer has difficulty in arranging for a sufficiently large supply of sugar beets to operate his plants at reasonably high rates of capacity.

. . .

250. In Ontario beet sugar is not sold at an f.o.b. factory price but is sold at the delivered price available on cane sugar -- based, generally, on the f.o.b. Montreal refinery price plus freight - less a beet sugar differential below the cane sugar price. For this reason the factory net per 100 lbs. of sugar sold varies according to where sales are made.

251. The nature of the differences involved is illustrated in a C. & D. document which included the following:

'NET AT FACTORY - DOMINION BEET Oct. 8/53

	Red. Price	Comm.Frt. or Truck	Diff.	Net at Factory
Chatham	8.07	-	8	7.99
Sarnia	8.07	.12	8	7.87
Windsor	8.07	.15	8	7.84
London	8.06	.16	8	7.82
St. Thomas	8.06	.16	8	7.82
Stratford	8.06	.21	8	7.77
Simcoe	8.00	.21	8	7.71
Brantford	7.99	.21	8	7.70
Kitchener	7.99	.21	8	7.70
Guelph	7.99	.23	8	7.68
Niagara Falls	8.00	.24	8	7.68
St. Catharines	8.00	.24	8	7.68
Hamilton	7.93	.22	8	7.63
Toronto	7.93	.22	8	7.63
Collingwood	8.07	.41	8	7.58
Owen Sound	8.07	.41	8	7.58
Orillia	8.07	.45	8	7.54
Soo	8.20	.625	8	7.495
Oshawa	7.93	.38	8	7.47
Lindsay	8.00	.46	8	7.46
Peterboro	8.00	.46	8	7.46
Ft. Wm.	8.20	.735	8	7.385
NON CENTRES				
Norwich	8.46	.21	5	8.20
Camp Borden	8.44	.46	8	7.90
Leamington	8.07	.15	5	7.87
Ingersoll	8.06	.20	5	7.81
Port Colborne	8.00	.24	5	7.71
Winona	7.95	.22	8	7.65
Listowel	8.06	.36	8	7.62'

(AOG 41, 15423)

The prices quoted compare with a net f.o.b. Montreal refinery price of $7.50 which became effective on September 2, 1953 (AOG 950, 15251)."

The cane sugar refiners in Eastern Canada appear to have accepted that the beet sugar produced from one crop would be disposed of before the succeeding harvest and to have made only minor modifications in their sales policies when competition from beet sugar was encountered. Mr. Seidensticker of Acadia-Atlantic gave the following evidence on this point:

> "Q. Do you, in fact, make any concessions to attempt to meet the competition afforded by St. Hilaire sugar?
>
> A. I would say whatever is done is done in a very limited way.
>
> Q. What about the competition afforded by Canada and Dominion beet sugar? Do you make concessions to meet that competition?
>
> A. Only in a very limited way. . . . "
>
> (Evidence, p. 928)

C. & D. modified its cane sugar operations to accommodate sales of beet sugar, according to the evidence of Mr. G.M. Russell:

> "Q. Do you try to keep your total production for the year the same from year to year?
>
> A. Oh, no, that varies depending on our beet production -- we try to get the maximum amount of beet sugar that we obtain beets for -- that is, it depends on how many thousands of tons or acres of beets the farmer will grow -- we put a terrific effort into obtaining the maximum output of beets -- then our cane production has to depend -- at the present time we are right up to our maximum capacity on cane sugar too -- it can be varied to offset on the cane along with beet production.
>
> Q. Are the two complementary? Do you adjust your production of Redpath inversely to the quantity of beet sugar?
>
> A. To an extent, because you must dispose of the beet sugar before the next crop comes on -- it is always sold well before the next October."
>
> (Evidence, p. 283)

The production of sugar beets is regarded favourably from the viewpoint of good agricultural practice. The crop is one which is rotated, generally only a small acreage being devoted to the crop on each farm, so that the intense cultivation which is required cleans up the land for succeeding crops. It was stated on behalf of C. & D. that about 6, 000 farm families produce sugar beets for the company so that the acreage per farm devoted to sugar beets would be relatively small in Ontario.[1] In addition to the yield of sugar from the beets, the beet tops removed before processing and the beet pulp and molasses which are produced as by-products in the manufacturing operations are of value as livestock feeds.

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(1) In the Statement of Evidence the following information is given as to the average acreage of beets per farm in Ontario and the number of farms growing sugar beets:

> "268. It would seem that considerably less than 6, 000 farmers have contracted to grow sugar beets for C. & D. in any year since the last war. In a report made to Mr. McGregor on April 21, 1953 the average number of acres per contract is shown to be 9.64 on 20, 642 acres already contracted in 1953 and somewhat similar figures are shown for 1951 and 1952. The largest number of acres contracted in the years 1946 to 1954, inclusive, was 41, 007 in 1950 and the largest number harvested in the same period was 33, 428 (Exhibit 15, Answer to Question 25). Census of Agriculture figures for 1956 show that 15, 055 acres of sugar beets were planted in Ontario on 1, 492 farms. Comparable figures in the 1951 Census were 30, 068 acres and 3, 087 farms."

CHAPTER III

CONDITIONS APPLYING TO THE INTERNATIONAL TRADE IN RAW SUGAR

1. Customs Duties

The Commission's report on the sugar industry in Western Canada[1] has the following general comments on the Canadian tariff in regard to raw and refined sugar:

> "The Canadian tariff on sugar, which has remained unchanged in its essential aspects for a great many years, has consisted of two features to embrace both the sugar content and colour features. The latter are dealt with by what is known as the 'Dutch standard' of colour which had its origin in 1839 in connection with sugar auctions in the Netherlands. The classifications at first ranged from 1 to 21, embracing colours from dark brown to white, but since 1906 the range of numbers has been from 8 to 25. In the Canadian tariff schedule for sugar the Dutch standard number 16 is used for the purpose of classification for colour. For this test a comparison is made between a sample of number 16 Dutch standard sugar, obtained annually from the Netherlands Government, and the colour of the imported sugar. Sugar testing above number 16 of the Dutch standard cannot be imported under the rates of duty applying to raw sugar except under bond for refining purposes by a recognized sugar refiner. As the Canadian tariff for sugar contains specific rates of duty on a per pound basis the items relating to sugar contain detailed schedules of rates depending upon the actual sugar content of a shipment. The principal tariff items are Item 135, which applies in the main to raw sugar imported for refining purposes, and Item 134, which applies to refined

---

(1) Department of Justice, Report Concerning the Sugar Industry in Western Canada and a Proposed Merger of Sugar Companies, Ottawa, 1957, pp.24-25.

and other sugar. For purposes of illustration the rates applying to 96° raw sugar and over 99° refined sugar are shown.

Tariff Item	Goods Subject to Duty	British Preferential Tariff	Most-Favoured-Nation & General Tariff
135	Sugar above number sixteen Dutch standard in colour when imported or purchased in bond in Canada by a recognized sugar refiner, for refining purposes only, under regulations by the Minister, and sugar, n.o.p., not above number sixteen Dutch standard in colour,		
	. . .		
	When exceeding ninety-five degrees but not exceeding ninety-six degrees. . . . . per one hundred pounds	28.712 cts.	$1.28712
	. . .		
134	All sugar above number sixteen Dutch standard in colour, and all refined sugars of whatever kinds, grades or standards, not covered by tariff item No. 135.		
	. . .		
	When exceeding ninety-nine degrees . . . . .per one hundred pounds	$1.09	$1.89

The significance of the Dutch standard test in relation to the two scales of duty was pointed out in the following portion of the submission of E. T. Rogers, then President of B.C.S.R., to the Tariff Board in 1939:

> 'The present tariff provides for a higher rate of duty on refined sugar than on raw, with a view to protecting the domestic refining industry, as well as providing

> additional protection for the beet industry, and the Dutch standard is used to determine whether certain types of sugar should be classified as "refined" or "raw", as there is no precise definition of those terms. If the Dutch standard were abolished, tariff item 134 would be meaningless, because the country would be flooded with Plantation White and other forms of direct consumption sugar, which would not come under the category of "refined sugar" according to the generally accepted meaning of the term, and so would be assessed duty under tariff item 135 as if it were raw sugar. Large quantities of this sugar are produced in Central America, Java, and many other countries.'[1]"

From 1926 to 1931 there were considerable importations of refined sugar into Canada from Cuba and on January 27, 1932 a minimum value of $2.30 U.S. funds was fixed for duty purposes by Order in Council. This Order in Council lapsed during the early period of the war and nothing similar has since been imposed. While the Order in Council was effective there were no importations of Cuban refined sugar.

Apart from special valuation for duty purposes Tariff Item 134 provided until 1959 that no special duty exceeding 75 cents per cwt. may be imposed against sugar which is imported under it[2]. This would include special duties provided by section 6 of the Customs Tariff Act usually referred to as dumping duties. In 1954 dumping duties were imposed against certain sugar being shipped into Newfoundland from the United States (ANH 1034C, 10063; AOG 1745, 14530: Evidence, pp. 983-85 and 1270).

There were no importations of refined sugar recorded in 1950 and 1951. Table 10 gives the import figures for 1952-58.

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(1) Tariff Board, Reference No. 106 - Sugar (1939), Transcript of Proceedings, pp. 64-65.

(2) This proviso was dropped in changes in The Customs Tariff included in the Budget Resolutions, April, 1959.

Table 10

Importations of Refined Sugar,
1952-58

		1952	1953	1954	1955	1956	1957	1958
United Kingdom	Cwt.	20	47	47	54	1,178	1,167	29
	$	160	539	372	449	6,898	7,825	412
Jamaica	Cwt.	2,603	-	-	-	-	-	-
	$	15,083	-	-	-	-	-	-
Cuba	Cwt.	319,750	235,679	14,000	-	-	-	-
	$	1,759,413	1,152,919	61,912	-	-	-	-
United States	Cwt.	11,332	5,708	19,574	998	206	774	172
	$	90,591	42,651	119,768	9,273	2,905	8,096	3,193
Puerto Rico	Cwt.	5,000	-	-	-	-	-	-
	$	39,150	-	-	-	-	-	-
Mexico	Cwt.	-	-	-	71,759	48,832	276,202	65,999
	$	-	-	-	324,183	226,724	1,591,488	327,221
Barbados	Cwt.	-	-	-	-	46	-	-
	$	-	-	-	-	250	-	-
Netherlands	Cwt.	-	-	-	-	-	10,041	13,447
	$	-	-	-	-	-	57,881	67,673
Czechoslovakia	Cwt.	-	-	-	-	-	-	110
	$	-	-	-	-	-	-	1,765
Total Imports	Cwt.	338,705	241,434	33,621	72,811	50,262	288,184	79,757
	$	1,904,397	1,196,109	182,052	333,905	236,777	1,665,290	400,264

Source: Dominion Bureau of Statistics, Trade of Canada.

The following paragraphs in the Statement of Evidence describe other aspects of the tariff situation with respect to sugar:

"17. The use of the Dutch Standard in Tariff Items 134 and 135 militates against the importation of certain raw sugars by other than sugar refiners at raw sugar rates of customs duty and raises the category of such sugars, which may be raw sugars insofar as a sugar refiner is concerned, to refined sugar for customs duty purposes for other classes of importer (See Evidence pp. 56-60).

. . .

19. With effect from June 1, 1931 the domestic wine industry was, under Item 1050 of Schedule B to the Customs Tariff Act entitled to claim drawback of 99% of the duty charged on importations of raw sugar produced in the British Empire or on sugar refined in Canada from raw sugar produced in the British Empire which sugar was consumed in Canada in the manufacture of wine. With effect from June 30, 1956 the wine manufacturers have been able to import sugar for the manufacture of wine under Tariff Item 134 at $ .0109 per 100 lbs. under the British Preferential Tariff and $ .0189 per 100 lbs. under the M.F.N. Tariff.

. . .

21. As will be shown by Table VIII [Table 5 in this report] by far the major part of the sugar consumed in Canada has first been refined there. Approximately 8, 000, 000 lbs. of that shown by Table VIII as imported in 1954 was consumed in the wine industry and hence was subject to drawback on customs duties paid (see D.B.S. publication, The Wine Industry, 1955, p. n-5).

22. Because there is customs duty payable on all importations of raw sugar, domestic beet sugar producers get additional protection under the tariff to that afforded the refiner of imported raw cane sugar. The actual amounts of protection afforded beet sugar producers and cane sugar refiners differ widely from what would seem to be the case if only the relevant rates of duty were considered and the matter will be briefly dealt with here.

23. As will be shown in Table XII [Table 2 in this report] the greater part of the raw sugar used in Canada by sugar refiners comes from British Commonwealth countries. Under Tariff Item 135, the Canadian sugar refiner can import 96^{o} raw sugar from Commonwealth sources on payment of a

customs duty of $.28712 as compared with a rate of $1.28712 on the same 100 lbs. of raw sugar from a non-Commonwealth country. Refined sugar can be imported by anyone on payment of $1.09 per 100 lbs. customs duty if the sugar is of Commonwealth origin and manufacture and $1.89 if from non-Commonwealth countries. It would seem that the Canadian refiners would therefore have protection to the extent of $.80 per 100 lbs. against Commonwealth refined and $1.603 against non-preferential refined. The protection obtained does not work out along these lines.

24. In fact refined sugar has not come into Canada from Commonwealth countries in significant quantities for many years and for practical purposes the Canadian sugar refining industry has not been faced with any competition from it. On the other hand Commonwealth producers of raw sugar have not sold their raw sugar to Canadian refiners at the world price for raw sugar. The world price for raw sugar is the f.a.s. Cuba price (Evidence p. 889). To arrive at the cost to Canadian refiners of such sugar, charges for freight, insurance and customs duty must be added. The customs duty on Cuban raw sugar is, as has been shown, $1.00 per 100 lbs. higher than that on Commonwealth raws. In practice Commonwealth sellers have retained approximately 85¢ out of the preference and have priced their sugars to arrive at the Canadian port at a duty paid cost of 15¢ per 100 lbs. less than would have been the cost to the refiner for general tariff raw sugar. As it takes 107 lbs. of 96° raw sugar to produce 100 lbs. of refined, the tariff protection afforded the Canadian refiner against non-preferential refined sugar when the Commonwealth seller of raws takes all

but 15¢ of the preference allowed is approximately $.67 per 100 lbs. [1]

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[1] The following simple computations which were given in the Commission's earlier report on the sugar industry in Western Canada will serve to explain how the figure of 67 cents is derived:

"(1) Since about 107 pounds of raw cane sugar are required to produce 100 pounds of refined sugar it is the duty on 107 pounds of raw sugar that should be taken into account when comparing the duty on raw with the duty on refined sugar. This duty works out as follows:

Duty on 100 pounds of raw sugar	$1.287
Duty on 107 pounds of raw sugar is	
$\frac{107}{100} \times 1.287 =$	$1.377

(2) Although Canadian requirements of raw sugar come in the main from Commonwealth countries on which the Preferential Tariff is 28.712 cents per 100 pounds as against $1.28712 under the Most-Favoured-Nation and General Tariff, the producers in Commonwealth countries appropriate about 85 per cent or 85 cents of the $1.00 advantage in Preferential duties which apply on imports. Thus Commonwealth raw sugar for refining enters Canada at about $1.14 above the world price, this figure being arrived at as follows:

World price	'X'
Commonwealth Preferential Tariff	28.712 cents
Proportion of Commonwealth advantage over Most-Favoured-Nation Tariff appropriated by Commonwealth producers	85 cents
	113.712 cents

If we now apply the ratio of 107 pounds of raw sugar to 100 pounds of refined referred to under (1) above, this amount of approximately $1.14 becomes 1.2167. The result is that cane sugar refined in Canada has a net protection of 67.33 cents per 100 pounds against cane refined in other countries whose exports are subject to the Most-Favoured-Nation Tariff. (The figure of 67.33 cents is arrived at by subtracting $1.2167 from the Most-Favoured-Nation Tariff rate of $1.89) [The above calculations do not take into account the possible effect of recovery from syrup and molasses in the refining process]."

25. This $.67 per 100 lbs.is however not a firm figure. When, as they did for example in 1953, certain Commonwealth sellers of raws sell them at a cost to the Canadian refiner of more than 15 cents below the cost of non-preferential raws the effective protection is increased accordingly. When, as was said to be the case in early 1956, Commonwealth raws cost the refiner more than 15 cents per 100 lbs. less than non-preferential raws the protection is reduced.

26. Whereas the tariff protection realized by the cane sugar refiner is in the neighbourhood of 67 cents per 100 lbs. the protection realized by the beet sugar manufacturer is greater than this by the amount of the customs duty paid plus that part of the preference retained by the Commonwealth supplier of raw sugars. Thus, in practice, the beet sugar supplier has an effective protection of about $1.219 on each 100 lbs. of refined sugar over that enjoyed by the cane refiner.

27. In addition to the protection that can be measured in dollars and cents, arising out of the customs duties, the domestic refiner gets some other advantages in the Canadian market as compared with outsiders. For one thing he gets whatever advantage there is in the ocean freight rates being lower on raw sugar than on refined. For another, the Canadian refiner is operating in a market that absorbs a comparatively high proportion of brown or soft sugars and this increases his advantage over sellers of refined sugar who do not have such a market to sell in. . . .

28. Domestic refiners also get some advantage over foreign competitors because their operations are comparatively close to their customers' places of business. They are therefore more easily able to give quick service and to provide their products in the packages and form demanded from time to time by their customers without having to hold excessive stocks in a number of places.

29. In the sugar refining process there is some residual yield of molasses. Since a Canadian sugar refiner can apparently get more for his molasses than can the refiner in most other places the Canadian refiner's advantage is further increased.

30. The 67 cent figure accepted above as the amount of tariff protection enjoyed by the Canadian refiner depends upon the practice of the Commonwealth supplier charging 85 cents above the world price. A foreign refiner of sugar would of course have refining costs, and in the post-war period it would seem to be the case that Cuban refiners have not sold their refined sugar at less than $1.00 per 100 lbs. above the price of

raw sugar. This means that the Canadian refiner has had a margin of at least $1.67 per 100 lbs. over the landed cost of his Commonwealth raw sugars. If foreign refined sugar started to take any considerable part of the Canadian market away from the Canadian refiners and hence from Commonwealth raw sugar producers it would be within the power of the latter to place the Canadian refiners in a better competitive position by reducing the amount they retain out of the $1.00 per 100 lbs. preference below the traditional figure of 85 cents. It should perhaps be noted that the effect of this 85 cents is in fact reduced by the excess amount it may cost to ship raw sugar from its Commonwealth source to the Canadian port of entry over what it would cost to ship raw sugar from Cuba."

2. Removal of Wartime Controls

The following paragraphs in the Statement of Evidence describe the imposition and removal of wartime controls and the arrangements for joint buying of raw sugar by the three eastern refiners:

"106. The documentary evidence indicates that in the period since January 1, 1931 raw cane sugar has always been available to Canadian refiners, at a price, except during the years 1940 to 1949, when supplies were obtained through agencies of the Canadian government. From 1940 until 1947 these supplies were obtained through the Sugar Controller under the Wartime Prices and Trade Board. In 1947 the Canadian Sugar Stabilization Corporation was formed as a vehicle to carry on the work of the Sugar Administration (ANI 159, 833-4) and until almost the end of 1949 it continued to be the sole source of raw sugar to Canadian refiners.

107. Sugar was rationed from July 1, 1942 to November 1, 1947 when coupon rationing ended. However, price, distribution and supply controls continued after November 1, 1947 and their final influence was not gone until March, 1950.

108. For some of the wartime control period, at least, the amount of raw sugar that each refinery could obtain was limited and was set by allocation of the Sugar Controller. During the control period production of sugar in Canada was limited to about 70 per cent of the pre-war figure (Evidence p. 850). Canadian refiners were guaranteed against loss on the raw sugars bought through the Sugar Controller and the C.S.S.C.

109. From August 1949 until almost the end of 1952 (Evidence pp. 89-90) the British Ministry of Food was the sole seller from which supplies of Commonwealth raw sugars could be obtained for Canadian refiners. On August 19, 1949, at which time the Canadian Sugar Stabilization Corporation was still the only source of supply of raw sugar to the Canadian refiners its president, S.R. Noble, wrote to W.J. McGregor of C. & D. and indicated its functions were drawing to a close. The letter included the following:-

> '. . . For reasons which I have explained to you, it suits the Canadian Government and the British Government that Canada should take a maximum amount of sugar purchases from Empire sources, and on account of the preference allowed under the Canadian tariff, it will no doubt always suit the British Ministry of Food to sell Canadian refiners Empire raw sugars at prices which will at least not be higher than the landed cost of full duty sugars. Against the probable future needs of Canada, prior to the availability of new crop sugar in the Caribbean, we have reserved from the British Ministry of Food an additional 50, 000 tons from the fall crops of British Guiana, Fiji and Australia. We understand that there are no unallocated sugars in the British West Indies at the present time.
>
> The method of handling future purchases of sugar from Empire sources has not been fully worked out, but this Corporation will be willing to act for any part of the 50, 000 tons referred to above, and will also endeavour to work out with the British Ministry of Food a feasible scheme for future purchases, which, however, we do not anticipate will require the intervention of this Corporation. . .'

(AOG 1737B, 14343)

110. The evidence includes a copy of a document dated October 25, 1949, the original of which was signed by W.Rook of the British Ministry of Food:

> 'Note on Conversation with Refiners on Machinery for Continuing Empire Supplies after Decontrol
>
> The Ministry of Food will reserve approximately 500, 000 long tons of Empire Sugar for Canada, and, given reasonable notice, will deliver as required to meet Canadian Refiners' needs.

The quantity is flexible and could be adjusted up and down according to consumption developments.

PRICE

The Ministry of Food will offer, through the regular Brokers, Empire Sugar to Canadian Refiners, either jointly or severally, as the Refiners themselves will decide. The Brokers will keep the Buyers informed of world values based on sales or offers of every kind of available sugar. This will be important for the Ministry too, inasmuch as it is suggested that the basis of the price structure for Empire Sugar will be completely commercial as desired by the Canadian Authorities, namely, world price brought to a Cif value, plus an agreed proportion of the Preference.

Generally speaking, offers will be based on Cif value of Cubas at ruling rates of freight in competitive freight market. . .'

The document then gives certain information concerning the pricing of raw sugar purchases, a suggestion as to the extent to which the customs preference would be retained by the sellers and closes with paragraphs on contracts and polarization allowances.

(AOG 4111, 11197-8)

111. On October 31, 1949, there was a meeting in Montreal attended by Messrs. Seidensticker and E.F. Johnston of Acadia-Atlantic, C. J. Coyle of C. & D. and J.R. Crawford of St. Lawrence. A memorandum on this meeting, apparently prepared by J.R. Crawford, was headed 'Points discussed at meeting as noted below'. It shows that the decisions taken were subject to the approval of J.W. McConnell of St. Lawrence and W.J. McGregor of C. & D. It is clear that the main subject under discussion was the joint purchase of raw sugars. It was agreed to set up a central organization and that the office 'function as the medium of communication to the Refiners and be responsible for all detail work'. Paragraph 2 of the memorandum is as follows:

'2. Q. How should we proceed to secure the Canadian Government's recognition of this arrangement, and is it desirable for us to solicit the co-operation of Mr. S.R. Noble and, if necessary, Sir William Rook, in obtaining Ottawa's cognizance. (Mr. Noble at a recent

meeting volunteered his assistance in obtaining the recognition required.)

A. Mr. J.R. Crawford delegated to consult with Mr. Noble on this matter. . .'

It was agreed that as amongst themselves the refiners would average the costs of raw sugar on an annual basis. The memorandum shows that the individual refiners intended to sign 'separate contracts for their own requirements in the necessary positions'. The only mention of sales was included in paragraph 3:-

'3. Q. Consider division of expenses. In this connection it would appear that the only fair division would be that based on sales.

A. Unanimously approved.'

Recognition by the Canadian Government of the proposal was to be sought.

(AOG 4113A, 11201-3)

112. On January 25, 1950, W.J. McGregor, president of C. & D. wrote to K.W. Taylor then Chairman of the W.P.T.B. and said:

'Over a period of approximately ten years the cane sugar refiners have obtained their requirements of raw sugar for refining purposes through the sugar Administrator or the Canadian Sugar Stabilization Corporation Limited. This arrangement has now ended.

As a result of various discussions with Mr. Noble and with Sir William Rook, we understand that both the Canadian and British governments are anxious that Canada should purchase the maximum amount of Empire sugars. At the present time the British government has outstanding an undertaking to purchase through the British Ministry of Food, all exportable sugars produced within the Empire for the next three crops, and negotiations are in progress to extend this commitment up to eight or possibly ten years .

Sir William Rook, British Sugar Controller, has agreed that sugar from Empire sources up to total Canadian import requirements will be made available at

prices based on the C.I.F. value of other world sugars (Cuban free market.) Under this arrangement the three companies operating cane sugar refineries in eastern Canada feel that a central agency to deal with and maintain proper liaison with the British Ministry of Food, who will be the sole sellers, is desirable and in the national interest. Before setting up such an agency, we should like to know that this action has the full approval of the government, it being understood that the proposed agency would have no other function than the procurement only of raw sugars from the British Ministry of Food or other like agencies for refining purposes, it being also understood that the raw sugars so obtained should be available unconditionally on a fair basis and at a fair price to all present or future Canadian sugar refineries who wish to purchase same.'

Mr. Taylor replied on February 9:-

'I have discussed with the Minister of Finance your letter of January 25, 1950 in which you propose that the three companies operating cane sugar refineries in Eastern Canada set up a central agency to deal with and to maintain proper liaison with the British Ministry of Food solely in matters pertaining to the procurement of raw sugars for refining purposes.

I am authorized by my Minister to say that, in the circumstances outlined, the setting up of a central agency for this particular purpose only appears to be a sensible procedure and desirable in the national interest.'

In a letter written on February 16, 1950, Mr. McGregor told Mr. Taylor 'We will now take proper measures to get this agency functioning without delay.'

(St. Lawrence reply to
Questionnaire, Question 7 b)

113. The organization was set up as the 'Central Agency' and had its first formal meeting on March 9, 1950 and the last, except for a formal closing meeting, on October 23, 1952. Minutes of the first meeting include the memorandum of agreement as among the three Eastern refiners and they show the Central Agency was 'for the purpose of purchasing from the British Ministry of Food or other like Agencies, on behalf of the parties hereto, their requirements of the quantities of raw sugar allocated to Canada by the British Ministry of

Food'. Clause 5 of the agreement read:-

> 'Central Agency shall from time to time accept offers of or make bids for such raw sugars as may be required by the parties hereto and which requirements shall have been notified to the Central Agency and at such prices as shall have been approved by the Central Agency. No acceptances of offers of or bids for raw sugars shall be made by the Central Agency unless three members of the Central Agency, one each of whom has been appointed a member of the Central Agency by the respective parties hereto, shall have been consulted and approve of same.'
>
> (ATJ 1, 18666-70)

It was at this meeting that the following motion was carried unanimously:-

> '<u>THAT</u> a co-ordinator be appointed to accept offers of or make bids to recognized raw sugar brokers at Montreal, on behalf of the Agency, for such raw sugars as may be required, and at such prices as shall have been approved by the Agency. No acceptance of offers of or bids for raw sugars, on behalf of the Agency, shall be made by the Co-ordinator unless three members of the Central Agency, one each of whom has been appointed a member of the Agency by the respective parties to the agreement, shall have been consulted and approve of same.'

J.R. Crawford was elected Chairman and G.M. Russell of C. & D. was appointed Secretary. Also at this meeting a motion concerning the procedures to be used in balancing costs as between the refiners was passed:-

> '<u>THAT</u> the Central Agency shall average the price of raw sugar purchased through it and invoiced direct by the brokers to the respective parties and the Central Agency shall calculate, at the end of each month, the interim average price, having regard for the national interest. Adjustment among the respective parties shall be computed by the Central Agency semi-annually, with final adjustment on December 31st of each year as approved by our Auditors.'
>
> (ATJ 6, 18671-2)

114. Formal meetings of the Central Agency were held on the following dates:-

1950-March 9, (2 meetings) March 20, May 16, June 15, October 3, October 12.

1951-March 20, April 17, May 11, June 5, June 12, June 26, October 11, October 16, October 25, November 9, November 28.

1952-January 2, February 6, April 1, May 6, August 18, October 16, October 17, October 21, October 23.

1953 - April 2.

Without exception the meetings were held at the Montreal office of Atlantic Sugar Refineries Limited. A full set of copies of the Central Agency's minutes are in evidence (ATJ 1, 18666-18748).

115. E.A. Millar was Co-ordinator of the Central Agency . . . .

116. The minutes of Central Agency meetings are obviously not, nor do they apparently pretend to be, any complete record of the business that was done in the organization. Nevertheless, they do record certain decisions that were made and do show the character of some of the problems that were dealt with. Basically, of course, the job to be done was to get for each of the refiners its requirements of raw sugar delivered to its refinery at a suitable time and at a satisfactory cost.

117. The Central Agency diary shows that throughout the active life of that organization there was constant communication between the refiners on all problems related to the buying of raw sugars to meet their requirements. Sugar was purchased for the individual refiner who signed the contract but before any such purchase could be made all three refiners had to approve. Thus throughout the period the Central Agency operated, each refiner had absolutely accurate information on the other's supply and cost position. The diary shows that the top executives of each refinery, these being Messrs. Seidensticker, McGregor, J.W. McConnell and Crawford were the people who entered into the most important discussions and who made the significant decisions."

The operations of the Central Agency as a joint buying organization for eastern refiners appear to have concluded with purchases for the winter 1952-53, and the Central Agency did not take any part in the buying of raw sugar in 1953 and subsequent years.

3. International Arrangements with Respect to Raw Sugar

During the past hundred years international trade in raw sugar has been characterized by recurring periods of troublesome surpluses and threatened shortages, with the former tending to be more persistent. The problem of surpluses has been particularly acute in the case of those cane sugar producing countries whose economies are dependent in considerable measure upon the production of raw cane sugar for export. In the period prior to World War II successive efforts were made to work out an international agreement to stabilize the world trade in raw sugar and new arrangements were made in the post-war period.

The following summary of the pre-war sugar agreements has been published by the U.S. Tariff Commission:

> "As early as 1925 the competing groups of sugar exporters, led by Cuba, made strenuous efforts to adjust, individually and through international agreements, the total volume of exports to the purchasing capacity of the international markets. The Chadbourne Agreement signed in 1931 was effective in reducing production in major cane and beet sugar exporting countries, but it failed to bring about a significant rise in sugar prices because production increased in non-controlled areas, primarily the British Empire and areas having duty-free access to the United States market.
>
> Negotiations initiated at the World Monetary and Economic Conference of 1933 led finally to the International Sugar Agreement of 1937 concluded by 21 governments, including the major importing as well as exporting countries. The countries included in the agreement accounted for 85 to 90 per cent of world production and consumption of sugar. The main features of the agreement were - (1) allocation of basic quotas in the international markets to the countries which were the main exporters of sugar, (2) assurance by principal importing countries that they would not reduce imports, and (3) establishment of production control in accordance with

the general principle that stocks should not exceed 25 per cent of the annual output. The importing countries, including the United States, were represented with a considerable voting strength in the International Sugar Council charged with the administration of the agreement. The Government of the United States undertook not to reduce the relatively small volume of full-duty imports below the 1937 level.

The International Sugar Agreement was formally extended during and since the war, but its main provisions have been declared inoperative since they were designed to deal with a surplus situation."(1)

Canada was not a party to the International Sugar Agreement of 1937. At the time a statement was made on Canada's behalf that the Government did not intend to encourage production through fiscal action.

By a Commonwealth Sugar Agreement entered into in 1951 the British Government assumed responsibility for the marketing of large quantities of raw cane sugar produced in Commonwealth countries.

> ". . . Under the agreement, Empire producers are guaranteed by the British Government a fair price negotiated annually for 1, 568, 000 tons of sugar a year until at least the end of 1963, and a further 72, 000 tons until the end of 1958. Thus at present 1, 640, 000 tons are sold at a negotiated price. The International Sugar Agreement limits Empire exports to 2, 450, 000 tons a year.
>
> The difference between these two figures is 810, 000 tons, and of this 700, 000 tons will find its way to the preferential markets of the United Kingdom and Canada, the balance of 110, 000 tons being sold in non-preferential markets such as Ceylon and Japan. The 810, 000 tons is sold at world prices, but, to the extent that it comes to these shores, the whole of the duty preference is passed back to producers and, to the extent that it goes to Canada, where the preference is greater than for imports into Britain, a large proportion is

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(1) United States Tariff Commission, Summaries of Tariff Information, Volume 5, p. 12.

passed back." (1)

The Commonwealth Sugar Agreement was followed by the International Sugar Agreement of 1953. The following summary of the Agreement is taken from the Pike Sugar Chart, 1953 (Exhibit 19):

"International Sugar Agreement of 1953.

Negotiated Aug. 24, 1953, Effective Jan. 1, 1954-
Terminates Dec. 31, 1958

Establishes basic export tonnages totalling 5, 390, 000 metric tons for export to World Free Market, with International Sugar Council meeting at least thirty days prior to beginning of each calendar year to set initial export quotas based on determination of net import needs of free market.

Sets price range of 3.25¢/4.35¢ fas [f.a.s.] Cuban port as equitable to consumers and producers, with provisions for quota adjustments downward (limited to about 20%)or upward to attain price objectives.

Participating importing countries agree not to import from non-participating exporting countries as a group during any quota year quantity larger than imported from those countries as a group during any one of years 1951/52/53.

Exporting countries to regulate production so that stocks on a fixed date immediately preceding the start of new crop will not exceed 20% of annual production, but minimum stocks to be held of not less than 10% of basic export tonnage.

Cuban Stabilization Reserve not considered available for free market, except on Council's request, nor considered in calculation of stocks.

Cuban exports to U.K. in 1954 against block purchase of 1, 000, 000 tons not to be charged against Cuban export quota for 1954.

Exporting countries with basic export tonnage over 75, 000 tons agree to limit export during first eight months

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(1) Statement of Mr. Peter Runge, Chairman of the West Indies Sugar Company, Limited from the annual report of the company as published in <u>The Economist</u>, March 10, 1956.

of any quota year to 80% of initial export quota .

Exports to the U.S. are not included in the Agreement.

Exporting territories covered by Commonwealth Sugar Agreement of 1951 agree to limit net exports to 2,375,000 long tons in 1954 and 1955 and 2,450,000, in 1956."

Canada was represented at the United Nations Sugar Conference and subsequently joined the agreement as a member.

By protocol adopted at a United Nations Conference which ended in November, 1956 the International Sugar Agreement of 1953 was amended to enlarge basic quotas for export and to provide a more flexible procedure for adjustment of quotas in relation to price fluctuations. The latter feature was described in The Economist of November 10, 1956 as follows:

". . .

. . . The adjustment of quotas will be more responsive to changes in the market than hitherto. The minimum price of 3.25 cents a lb. fas [f.a.s.] Cuba and the maximum of 4.35 cents are replaced by four adjustment points: 3.15, 3.25, 3.45 and 4.0 cents a lb. When the market price is below 3.15 cents the quotas can be cut by the full 20 per cent; above 4.0 cents all restrictions are to be removed; between these points -- and the aim will probably be to keep the price somewhere near 3.25 cents -- the adjustment of quotas is partly automatic and partly at the council's discretion."

A new International Sugar Agreement was approved by the United Nations Sugar Conference in October, 1958 to run for five years beginning January 1, 1959. The four main technical changes were described in The Economist of November 1, 1958 as follows:

"(1) The sugar council can now revise the initial export quotas, in total and then individually, by April 1st each year; it can thus take full account of the European crop of beet sugar, which is apt to be the main variable in its estimates of supply and demand.

(2) Exporters have an incentive to declare, by May 31st, if they cannot fulfil their export quotas, so that a redistribution can be made before other exporters have stopped producing.

(3) The minimum stock held by exporters at the start of the

crop year has been increased by one-quarter; in addition the Commonwealth producers will hold 50, 000 tons for the free market.

(4) Action must be taken to increase supplies when the market price exceeds 3.75 cents a lb for a given time; hitherto such action was permissive while the price was between 3.45 and 4.00 cents a lb."

Since 1934 the production and marketing of sugar in the United States have been subject to legislation under which quotas are established for domestic cane and beet sugar and for imports. Such controls affect the price level of sugar in the United States and result in domestic prices being higher than world levels, particularly during periods when there are ample supplies entering international trade.

4. Movements in the Price of Raw Sugar in the Post-War Period

The world price of raw sugar is generally regarded as the No. 4 contract price on the New York Coffee and Sugar Exchange. Mr. Palmer of Czarnikow (Canada) Limited described the position of this market as follows:

"Q. How is sugar quoted?

A. Sugar in the world market is based around the price of Cuban -- Cuba is the largest producer in the world and sets the pace on the price of sugar -- there is a terminal market in New York, number four terminal market, and for the purpose of sales to Canada, and for that matter, anywhere in the world, that depends on the rise or fall of the spot price in number four market in New York.

Q. All prices in the world can be related back to the price in number four market, New York?

A. Yes -- there are two distinct markets -- you have the United States protected market which is entirely divorced from the rest of the world market, protected by quota, but in all unrestricted markets in the world they all revolve around the spot price of Cuban, because Cuba is offering in all markets and therefore it has to be in line with all competition."

(Evidence, pp. 78-79)

The significance of the market for Cuban sugar in the United States under the quota system may be more fully appreciated if the quota is related to Cuban production. The quota for Cuba, as revised in May, 1958, was 3, 266, 164 short tons, while the total production in Cuba for the 1957-58 crop is reported as 6, 246,240 short tons.

Mr. Seidensticker of Acadia-Atlantic reviewed at some length in his evidence (pp.882-96) the developments in the international trade in raw sugar which had resulted, in his opinion, in the sugar market becoming largely political in nature. He pointed out that through the various national and international arrangements which have been made only a very small part, about 4, 000, 000 (long) tons out of a total world production of 40, 000, 000 tons, can be regarded as entering the free market. Further, about half of the sugar sold outside quota arrangements comes from Cuba, which has national controls. Of the total world production of 40, 000, 000 tons about 27, 000, 000 tons is cane sugar, and as the sugar traded on world markets is primarily cane the so-called "free sugar" forms a larger part of international trade than of total world production. Nevertheless the fact that bids may be made in world trade for only a small part of the actual supply means that shifts in demand or supply will produce much greater changes in price than if the total supply was being freely traded. The international sugar agreements have been made in an effort to create greater stability in the trade in sugar but so far with very limited success. World sugar production in the post-war period has ranged from about 28, 004, 881 long tons in 1947-48 to 41,054, 212 tons in 1953-54, while production in Cuba was about 5, 145, 644 tons in 1948-49 and 5, 577, 000 tons in 1957-58, according to statistics given in Farr's Manual of Sugar Companies, (1958). The range of world sugar prices, according to the same source, is shown in Table 11.

Table 11

Range of World Sugar Prices, 1948-58

f.a.s.Cuba (in cents per lb.)

Year	High	Low	Last	Average
1948	4.50	3.75	4.00	4.237
1949	4.50	3.90	4.33	4.1575
1950	5.95	4.15	5.45	4.9751
1951	8.05	4.70	4.77	5.674
1952	4.75	3.62	3.62	4.1658
1953	3.77	3.05	3.25	3.4099
1954	3.43	3.05	3.17	3.2603
1955	3.41	3.13	3.23	3.2381
1956	5.00	3.22	4.90	3.4847
1957	6.45	3.50	3.85	5.1563
1958[1]	3.85	3.35	3.44	3.5387[1]

1 The 1958 data are to and including April 30th.

The trend of prices of raw sugar has been downward during 1958 and the first part of 1959. The world price dropped to 2.55 cents in July, 1959, and prices ranged between 2.91 and 3.15 cents in the last quarter of 1959.

The world price of raw sugar has been highly sensitive to international developments. The high prices reached in 1950-51 were related to the boom in commodity prices which resulted from the Korean War, while the upsurge in 1956-57 followed the invasion of Egypt by Israel in October, 1956. The upward movement of prices on this occasion reached a peak in April, 1957 and the subsequent decline persisted through most of the remainder of the year.

CHAPTER IV

ARRANGEMENTS INVOLVING THE PURCHASE OF CUBAN RAW SUGAR AND THE WITHDRAWAL OF CUBAN REFINED SUGAR FROM THE CANADIAN MARKET

1. Canadian Government Arrangement with Cuba for Purchase of Raw Sugar

During the tariff negotiating session under the General Agreement on Tariffs and Trade (GATT) held at Torquay during the winter of 1950-51, discussions were carried on between Canada and Cuba in regard to the trade in raw sugar. These discussions led to a trade arrangement between the two countries which was described, as follows, in a letter of May 4, 1951 from Rt. Hon. C. D. Howe, the Minister of Trade and Commerce, to Mr. Seidensticker of Acadia-Atlantic:

> "I am writing to request your co-operation in arrangements which it has been necessary to make regarding the purchase of raw sugar, in order to protect important Canadian interests in the Cuban market, in the course of the recent tariff negotiations at Torquay.
>
> There will be an explanation given in due course by the government as to the nature of these arrangements. My immediate purpose is to advise you formally that the landed cost of sugar bought from Cuba for consumption in Canada will be equalized with the landed cost of a comparable purchase of Commonwealth raws for the same date of purchase by remission of a proportion of the tariff duty involved at the time that perfected import entry is made after polarization test.
>
> The Canadian commitment extends to the purchase of 75,000 short tons per year in each of the three years, 1951, 1952 and 1953. Division of the annual total between the purchases of individual refineries and technical detail regarding the calculation and certification of the amount of duty to be remitted are matters which I will leave for discussion between your representatives and officials of the Department.

As you have been advised, Mr. Climo has been appointed Sugar Adviser to the Department. He and Mr. Harvey, Director of the Commodities Branch, will be in touch with your representatives directly regarding these arrangements."

(AND 1366-67A, 5820-21)

Because of trade agreements which Canada had with certain other sugar-producing countries the arrangement outlined by the Minister of Trade and Commerce was extended to the Dominican Republic and Haiti.

On May 11, 1951 the three eastern refiners made a joint reply to the Minister of Trade and Commerce expressing their willingness to co-operate in the arrangement for the purchase of Cuban raw sugar but pointing out that only limited quantities of so-called "free quota" Cuban sugar were available and that a highly speculative market had developed since April 17 which had resulted in the world price advancing from $5.50 on April 17 to $6.50 on May 9. The letter went on:

> "Having regard to the Compact between Canada and Cuba whereby this commitment for the purchase of 75, 000 short tons of Cuban raw sugar has been made, we question the propriety of our continuing to lend ourselves to their so speculative pretensions originating with Cuban operators and we solicit the advice of yourself and your Counsellers [sic] while venturing to suggest to your consideration the possibility of intervention through admissible means at the appropriate level.
>
> At the present time the World Market for Cuban raw sugar is 1 cent per pound above the corresponding price for Cuban sugar to the United States under the quota system therewith established. Without a correction being found there is encouraged a situation where United States refined sugar from Cuban quota raws may confront Canadian refined sugar from Cuba World raws in the Canadian domestic market, indeed United States refined sugar has already appeared in the Canadian market.
>
> We anxiously await your informative and instructional advice."

(AND 1360A-61B, 5823-24)

The world price of raw sugar continued to advance until the latter part of June, 1951 when a peak of about $8.05 was reached. The price then declined and was down to $5.38 by the middle of

August. No special arrangements were made for the purchases of Cuban raw sugar and the refiners did not secure the total commitment of 75,000 short tons for 1951. The situation was described to the Commission in the following way by counsel for St. Lawrence (the paragraph references are to the Statement of Evidence):

> "The purchases were to be made in the open market from the supplies made available to the world market and the Canadian refiners were told that they were expected to make these purchases themselves. Unfortunately, no decision was taken by our Government to purchase these raws at the then prevailing market price. As the supplies in the world market were thin, the market fell into the hands of speculators and the price of raws skyrocketed (see paragraph 128). As a result of this, the Canadian public did suffer a prejudice. The problem became so acute that the refiners could not secure enough sugar to cover the amount they had undertaken to purchase without having to pay astronomical prices. A decision approved by the Government was reached to postpone to the following year those purchases that could not be made at the time at a reasonable price. Following that decision to withdraw from the market, the prices of raws declined rapidly, that is in July 1951. As a consequence of that decline, the refiners became the victims of their endeavour to purchase raw sugar in accordance with the Government's instructions.
>
> The situation was that at the beginning of 1952 the Montreal refiners had on hand high priced raws to sell as refined while the world price of raws had declined and was substantially lower (paragraph 607.)"

(Hearing, pp. 307-08)

In August and September, 1951 conferences were held between representatives of the refiners and government officials, and a programme was worked out for the purchase of non-preferential raw sugars in 1952. The evidence indicates that, including the deficiency in purchases of Cuban sugar under the commitment for 1951, Canadian refiners, including the B.C. Sugar Refining Company, Limited of Vancouver, were to purchase a total of 173,000 long tons from Cuba, Haiti and the Dominican Republic. The distribution of the purchases was to be made as follows, according to the minutes of a Central Agency meeting held on October 25, 1951:

"...

Assuming that British Columbia Sugar Refining Co. takes 19,000 tons of the non-empire sugars, the balance in fulfilment of the Government's commitment for 1952 will be allotted approximately as follows:

To Atlantic Sugar Refineries Ltd......	63,000 tons
To Canada and Dominion Sugar Co. Ltd.	59,000 "
To St. Lawrence Sugar Refineries Ltd.	32,000 "
	154,000 "

..."

(ATJ 50-51, 18715-16)

During the period of its operations, which included the year 1952, Central Agency arranged for purchases of non-Commonwealth sugar as well as for purchases from the British Ministry of Food. This is indicated by the following evidence of Mr. E.A. Millar:

"A. Yes, central agency bought all the sugar that came into the three eastern refineries -- it started out as being a single buyer from a single seller, the Ministry of Food, but when Cuba and Haiti and Santo Domingo were all put into the pool, then we had to buy it from them as well."

(Evidence, pp. 50-51)

As indicated previously, 1952 was the last year for which the Central Agency acted as the buying organization for the three eastern refiners because for 1953 requirements of Commonwealth raw sugar the refiners could negotiate directly with the producer organizations rather than through the British Ministry.

2. Efforts Made to Have Canadian Government Restrict Imports of Cuban Refined Sugar

As previously mentioned, the world price of raw sugar reached a peak in June, 1951 and thereafter prices declined substantially. Sugar production in Cuba also reached a peak of over 7 million long tons in 1951-52 compared with about 5.7 million tons in 1950-51 and about 5.1 million tons in 1952-53. As will be seen

from Table 15, imports of refined sugar began to enter Canada in significant amounts in March, 1952, principally from Cuba. In a later chapter of this report dealing with price concessions a review is given of the efforts made by the eastern refiners to deal with the competition of Cuban refined sugar on a price basis. In this chapter attention is given to the evidence of other efforts to curtail or exclude the sale of Cuban refined sugar in the Canadian market.

The Statement of Evidence reviews the evidence in the inquiry in connection with this matter in considerable detail, and no question was raised as to its accuracy in this respect. The nature and course of events are, therefore, not in dispute. The general situation is described in the Statement of Evidence as follows:

> "261. As soon as the importations of Cuban refined sugar began, consideration was given to means of stopping them. Efforts were made, in this direction, over many months and W.J. McGregor, president of C. & D. and other officials of the company played a leading part in these efforts.
>
> 262. A peculiarity of the competitive situation caused by the availability of Cuban refined sugar was that it tended to be offered most freely in the same parts of Ontario as those in which C. & D. ordinarily sold its beet sugar output. This was in part because in those territories the large industrial users of sugar are heavily concentrated and in part because Canadian sugar sold there at a price made up of Montreal refinery price plus freight. The freight charges included in this price were significantly higher during periods of open navigation, than the extra cost to the importers of Cuban refined of bringing the Cuban sugar by water past Montreal to the points of consumption in Ontario. During the period of closed navigation the freight rates on Canadian sugar were higher than during the summer and there was even then some advantage to the importers of Cuban refined to sell in Ontario as compared to other parts of Eastern Canada (AOG 2375, 11671-2)."

In a letter of August 8, 1952 to Mr. H.R. Drummond, a director of C. & D., Mr. W.J. McGregor wrote that he would try to make an appointment with Mr. Howe, Minister of Trade and Commerce, as soon as possible in regard to imports of Cuban refined sugar. His letter went on:

> "After seeing Mr. Howe, I will go on to Montreal and go over what I have done with you. While the volume of Cuban imports to the end of June was only 11 million pounds, which

included Newfoundland, I am fearful of the effect on our beet sugar prices this fall. If I cannot get promise of relief from Mr. Howe I will bring on a delegation of beet growers from the four Provinces immediately to support my brief.

. . ."

(AOG 2266, 11995)

Mr. Drummond's reply was as follows:

"I got your letter of the 8th instant.

I see you are going up to have a talk with Mr. Howe in Ottawa. As they look at these things in a political light, I don't think there is any chance of their putting on a tariff to prevent Cuban refined coming in. In the United States they have a law fixing the amount of sugar that can be imported and it might be possible Howe would consider some such arrangement here. Our only strong point is, of course, the number of farmers that work for us growing beets. After talking with Coyle here, I see that in Toronto Cuban refined is somewhere around 50 cents under our price. With the surplus of one and a half million tons in Cuba, they are in a position to take anything almost that they can get to dispose of this surplus. From the figures Coyle gives me, I see that our margin is roughly 2.31, which is quite a large margin. You must have some general idea of what we have made in the first half of this year and I would like to get from you these figures, so that we can see how much of a cut we can make.

This is a crisis and we have got to meet it."

(AOG 2265, 12001)

On August 21, 1952 Mr. McGregor wrote at length to Mr. C. D. Howe and said that while the quantity of Cuban refined sugar which had entered Canada during the first six months of 1952 might appear relatively small in proportion to Canada's total consumption "the effect upon our market has been serious." His letter was headed "Re: Beet Sugar Industry - Request for Restrictions in Imports of Cuban Refined Sugar into Canada" (AOG1945A-48, 11968-71).

Mr. McGregor endeavoured to enlist the support of sugar beet growers' associations in the various provinces in his approaches to Mr. Howe (AOG 1873, 12075). These efforts led to a meeting in

Ottawa on October 22, 1952 which is referred to in the Statement of Evidence as follows:

> "270. Representatives of the National Sugar Beet Growers Association and of provincial groups from Ontario, Manitoba and Quebec along with representatives of C. & D., Manitoba Sugar and Canadian Sugar Factories Limited met in Ottawa on October 22, 1952 with Mr. Howe and certain officers of the Department of Trade and Commerce (AMF 1, 17247-50). A memorandum on this meeting, prepared by M. W. Davidson of C. & D. who was there, shows that the Ontario brief and other briefs were filed and discussed. . . ."

Referring to this meeting in a speech in the House of Commons on February 11, 1953, Mr. Howe said:

> "I promised the meeting that I would visit Cuba early in February--I had already planned to do that as part of my itinerary-- and that I would take up with Cuban exporters the matter of stopping the import of Cuban refined sugar into the beet-growing areas. . . ."

(Hansard, February 11, 1953, p. 1836)

At this meeting with Mr. Howe the Quebec Sugar Beet Growers' Association filed a brief which did not endorse the request for the limitation or stopping of imports of Cuban refined sugar which was proposed by the others represented. The brief contained the following:

> ". . .
>
> SECOND PART
>
> Would the limitation or suppression of Cuban refined sugar imports be the real solution in order to guarantee the desired stability of the Canadian sugar beet industry?
>
> For the sugar beet grower who has a participating contract with his refinery, the high price of sugar appears at first to be the best way of getting a high price for his beets.
>
> However, other measures, beneficial to both growers and consumers, could be carried on successfully, without affecting the Trade Agreements between this country and the other nations of the world.

It would seem more equitable on the part of the Canadian Government to grant an annual compensation of $2.5 million dollars to growers, than to impose upon consumers, an additional expense of thirty million dollars for the same protection to the sugar beet industry.

No Canadian conscious of the importance of the beet sugar industry for the well-being of this country would admit the principle of imposing upon the consumers sacrifices disproportioned with the help received by growers.

It is our belief that we should study and suggest a permanent sugar beet policy that will really help all parties concerned and guarantee the stability of our sugar beet industry for the years to come.

Many other sugar beet producing countries have a special sugar beet policy which support[s] the beet growers, in some cases, to the extent of one cent a pound of beet sugar produced, or an average of $2.50 per ton of beet when the yield is 250 pounds of sugar per ton of beets or the equivalent.

This kind of protection would not disturb our commercial agreements with foreign countries, and the cost of this policy would be largely compensated by revenues derived to the government from tariff duties existing on imported sugar.

The Canadian Government has to face the problem and the Quebec growers are expecting a favorable solution in relation with the importance of sugar beet industry in the national economy."

(AOG 1908-11, 12139-42)

The point of this part of the Quebec brief rests on the relatively small proportion which beet sugar forms of total sugar production in Eastern Canada. In 1952, as will be seen from Table 6, beet sugar production in Eastern Canada amounted to about 120, 000, 000 lb. while sales of cane sugar by the three eastern refiners (Table 12) totalled about 938, 000, 000 lb., so that sales of beet sugar were approximately 11.34 per cent of the total. In some earlier years the proportion was slightly higher, while in some later years it was lower. For purposes of illustration the Director gave an example in the Statement of Evidence of the division of revenue between cane and beet sugar in 1955 if the price of sugar had been 30 cents per cwt. higher than it might otherwise have been and thus provided larger revenue for beet sugar growers. In 1955 the three

Table 12

Refined Cane and Beet Sugar Sales by Three Eastern Canadian Sugar Refiners, 1931-56
(Foreign Export Sales Included Except for 1955 and 1956)

					C. & D.							
Date	Atlantic lb.	Acadia-Atlantic lb.	Per Cent	Date	Dominion Beet lb.	Dominion Cane lb.	Redpath Cane lb.	Total lb.	Per Cent	St. Lawrence 100-lb. Bags	Per Cent	Total lb.
1931	141,080,658			Feb.1/31-Jan.31/32	110,805,859[2]		229,695,776			1,602,020		
1932	150,928,272			Feb.1/32-Jan.31/33	102,022,123[2]		222,628,195			1,554,099		
1933	137,104,052			Feb.1/33-Jan.31/34	87,798,613		219,970,007[3]			1,359,435		
1934	150,956,962			Feb.1/34-Jan.31/35	82,692,627		223,081,154[3]			1,553,675		
1935	157,156,245			Feb.1/35-Jan.31/36	58,125,206		265,086,473			1,686,285		
1936	170,131,028			Feb.1/36-Jan.31/37	76,696,852		242,870,579			1,767,356		
1937	161,864,343			Feb.1/37-Jan.31/38	78,764,309		278,503,642			1,688,212		
1938	164,603,963			Feb.1/38-Jan.31/39	54,502,034		296,843,486			1,679,407		
1939	189,601,278			Feb.1/39-Jan.31/40	82,121,738		297,989,334			1,896,290		
1940	176,469,264	122,990,972[1]	35.81	Feb.1/40 Jan.31/41	64,429,903		293,722,467	358,152,370	42.84	1,784,790	21.35	836,091,606
1941		319,671,044	36.76	Feb.1/41-Dec.31/41	84,661,310		283,569,254	368,230,564	42.34	1,817,170	20.90	869,618,608
1942		233,189,601	34.15	1942	97,911,048		193,198,591	291,109,639	42.64	1,584,479	23.21	682,747,140
1943		250,686,605	36.21	1943	43,055,129	45,635,815	208,874,259	297,565,203	42.98	1,440,857	20.81	692,337,508
1944		275,291,246	34.94	1944	38,641,347	72,503,126	232,795,675	343,940,148	43.66	1,685,738	21.40	787,805,194
1945		249,155,699	36.56	1945	20,352,009	36,769,952	232,098,801	289,220,762	42.44	1,431,351	21.00	681,511,561

Table 12 (continued)

Date	Atlantic lb.	Acadia-Atlantic lb.	Per Cent	Date	C. & D. Dominion Beet lb.	C. & D. Dominion Cane lb.	C. & D. Redpath Cane lb.	Total lb.	Per Cent	St. Lawrence 100-lb. Bags	Per Cent	Total lb.
1946		258,878,340	36.26	1946	55,982,247		244,053,225	300,035,472	42.02	1,549,936	21.71	713,907,412
1947		297,717,539	34.27	1947	65,972,376	28,782,154	283,738,017	378,493,047	43.58	1,923,629	22.15	868,573,486
1948		370,126,539	36.27	1948	44,946,169	71,761,094	313,577,090	430,284,353	42.17	2,199,830	21.56	1,020,393,892
1949		369,240,413	34.99	1949	65,991,761	59,636,398	323,988,752	449,616,911	42.61	2,363,955	22.40	1,055,252,824
1950		380,271,693	35.29	1950	84,590,735	49,712,334	323,276,358	457,579,427	42.46	2,398.164	22.25	1,077,667,520
1951		363,997,714	36.35	1951	105,355,901	21,672,793	319,878,510	446,907,204	44.62	1,905,936	19.03	1,001.498,518
1952		361,406,597	35,11	1952	90,873,309		339,180,628	430,053,937	41.78	2,378,334	23,11	1,029,293,934
1953		372,228,679	35.30	1953	96,498,365		363,413,758	459,912,123	43.61	2,224,110	21.09	1,054,551,802
1954		392,766,198	35.54	1954	63,963,222		406,518,212	470,481,434	42.58	2,417,618	21.88	1,105,009,432
1955		413,336,505	34.95	1955	57,368,404		457,543,974	514,912,378	43.54	2,544,170	21.51	1,182,665,870
1956		423,125,748	35.12	1956	67,834,599		444,263,100	512,097,699	42.51	2,694,898	22.37	1,204,713,211
Average %			35.52						42.85		21.63	

1 Acadia

2 Dominion Beet and Cane

3 Includes Turbinadoes & Imperial

Sources:

Questionnaires - Reply to Question 15(a)
C. & D. Letter - May 15, 1956
McCarthy & McCarthy Letter, March 9, 1956

eastern refiners sold approximately 1, 182, 665, 870 lb. of sugar, of which 57, 368, 404 lb. consisted of beet sugar sold by C. & D. An additional price of 30 cents per cwt. would mean that the added amounts paid by consumers would total $3, 546, 000. Of this total only $172,105 would have been derived from the sale of beet sugar and, taking the approximate distribution between beet sugar refiner and beet sugar grower, only about 50 per cent or $86, 058 would have been returned to the Ontario beet sugar grower. No exception was taken to the basis of the calculation used for purposes of illustration but it was submitted on behalf of St. Lawrence that to have a difference in price of such magnitude it must be assumed that Cuban imports would supply the entire eastern market. Such an assumption, however, does not seem to the Commission to be involved in the illustration presented by the Director.

Although Mr. Howe had undertaken at the meeting on October 22 that he would deal with the matter of imports of Cuban refined sugar during his forthcoming visit to Cuba in February, Mr. McGregor continued with his efforts to try and secure a maximum quota on Cuban refined sugar. In a letter of November 10, 1952 to Mr.L. J. Seidensticker, he wrote:

> ". . .
>
> I am doing my utmost to bring pressure on Mr. Howe to establish a maximum quota on Cuban refined. What the growers can't understand is why Atlantic and St. Lawrence don't compalin [sic] to Ottawa and make official representations. . . .
>
> . . ."

(AOG 1829, 12186)

In the speech referred to earlier Mr. Howe described the efforts of C. & D. as "the most aggressive pressure campaign that I have ever known of in my seventeen years as a member of this House of Commons."

The competitive position of Cuban refined sugar in the eastern Canadian market was described, as follows, in a letter of December 16, 1952 from Mr.McGregor to Mr. H. R. Drummond:

> ". . .
>
> Canadian refiners and beet sugar processors have allowed Cuban refined to come into Canada unchallenged. Prior to the close of navigation, Cuban refined could be laid-down as follows:

Cuban Refined	Montreal	Toronto
Raws $4.00 plus margin $1.00	$5.00	$5.00
Ocean freight	.60	.84
Duty	1.89	1.89
	$7.49	$7.73
Canadian Refined		
List price $8.60 less 5 per cent	$8.17	$8.17
Rail freight to Toronto		.40
	$8.17	$8.57

You can see at a glance that if we attempted to sell beet sugar on a competitive basis with Cuban refined, we would have to drop our price 84¢ plus 10¢ differential below cane, or 94¢. This would mean a drop in the price of sugar beets of $1.35 a ton which would be ruinous to the growers since labour costs in producing the 1952 crop were at an all-time high.

Out of 30, 000, 000 pounds Cuban refined, 80 per cent or 24, 000, 000 pounds was unloaded in Ontario which stocked up the large industrial users. This backed up our beet sugar sales. While we can compete with the Cubans during the winter months since they have to ship rail from New York, it would be impossible to sell 96, 000, 000 pounds of beet sugar in this period. I foresee a lot of trouble in getting rid of it next spring if this Cuban is still coming in.

It is difficult to estimate earnings during the beet operating season. We have been holding our list at $8.60 to recover our position on the high-priced raws. The results will all depend whether we can get rid of most of our cane sugar without having to compete with very low-priced Cuban refined. World raw sugar prices are still $4.00 but sales of the new Cuban crop have sold down to $3.60 for March.

. . ."

(AOG 2255A-57B, 12264-66)

Writing again to Mr.Drummond on December 17, 1952, Mr. McGregor referred to steps taken to enlist the support of beet growers in the efforts to curtail imports of Cuban refined sugar:

"The other Canadian refiners have not filed any protests against the unrestricted flow of Cuban refined into Canada. This is puzzling because the Cubans can, during navigation, lay down refined sugars at Montreal at a price which would reduce our refining margin to at least $1.89. . . .

. . .

Atlantic at St. John are vulnerable year round as the Cubans could ship refined sugar by water to St. John and then get the same domestic freight rate as Atlantic to points West.

All this is based on the Canadian refiners buying raw sugars at the same price as the Cubans, which is impossible as the Cubans produce both raw and refined sugars.

Manitoba and Alberta sugar beet interests have laid [sic] right down on the job as they are not yet suffering from Cuban refined. The price in B.C. and Alberta is 40¢ above our Montreal list price which will prove a goldmine.

The Directors of the Ontario Sugar Beet Growers' Marketing Board may have been influenced by the West as they are doing nothing to help our cause. I brought pressure and they are having a meeting Thursday to discuss calling indignation meetings throughout the area. Many growers are hostile to the apathy of their Association and are offering their services. I felt you should know that the whole burden is put on the shoulder of C. & D."

(AOG 2253-54, 12267-68)

Although, as will be described shortly, Cuban refined sugar disappeared from the Canadian market, C. & D. continued its efforts to maintain support among sugar beet growers for a policy against the resumption of imports of Cuban refined sugar. In a letter of September 9, 1953 Mr. McGregor wrote to Mr. G. M. Russell of C. & D.:

"Referring to your letter of August 25th to Atlantic City and owing to the severe drought I do not think we will exceed 60 million pounds beet sugar. Having regard for both the position of the farmers and the company, we could not afford to sell the total 1953 output by April 30, 1954, as it would defeat our argument about Cuban refined. There was some criticism some weeks ago that there was not [sic] 1952

beet sugar available for the consumer through the retail trade. It would be prudent politically to have at least 20 million pounds beet sugar on hand April 30, 1954.

We could endeavour to dispose of a larger proportion of our 1953 beet sugar in packets so as to keep beet sugar prominently before the public for a longer duration.

Keeping this thought in mind it will mean a larger distribution of Redpath between November 1st, 1953 and April 30th, 1954, which warrants storing a larger proportion of Redpath in Montreal, Toronto, Hamilton, London and even Chatham. It is possible that Redpath sales may be stepped up by 15 to 20 million pounds during the above period.

In pricing our raw sugars through T. & L., we will tentatively follow this policy on beet sugar and which will relieve your anxiety about being able to store a maximum of raw sugar by close navigation. Unless there is a bad decline in raw sugar prices, I feel we can safely carry out this plan.

In my opinion, we ought to have Dominion packets for sale in the beet area, excepting Toronto and Hamilton, up to July 31st of each year. This is our protection against Cuban refined.

. . ."

(ANI 220, 982)

Writing to Mr. Peter Runge of Tate & Lyle, England, on September 16, 1953 Mr. McGregor also referred to retarding sales of beet sugar and said:

". . . I think this is extremely important as a buffer against Cuban refined.

. . ."

(ANI 29-30, 989-90)

Mr. McGregor gave evidence in regard to his letters which was cited by counsel for C. & D. in his argument. Mr. McGregor's evidence included the following:

"Q. . . .

Would you care to comment on that generally, Mr. McGregor, and the position of your company in respect

to marketing its beet?

A. I would be very glad to -- I do not intend to sell all our beet sugar out too quickly to manufacturers because I want to keep our Dominion Crystal special packages on the grocers' shelves, -- the farmers expect to have beet sugar available for them if they want to buy it -- another thing, if you run your beet sugar all out, sell it all out, you get that Dominion brand off the shelves, and it requires considerable drive to get the wholesalers and chains to feature it.

Q. What is the political significance that you refer to in your letter?

A. Politically, well, I think that has all been dealt with on February 11, 1953 in the House of Commons.

Q. Well, perhaps you would just expand on that a bit for the record. You say politically you want to have beet sugar on hand?

A. I do because I do not want anything to happen to the growing of sugar beets in Ontario -- I think everyone recognizes the power of the farmer and he wants to grow beets -- he has shown that every time -- and I am going to fight as long as I am able for the success of our beet sugar business in Ontario, and the farmers will support efforts of mine to see that that business is not ruined.

Q. In the grocery trade, does your beet sugar come into direct competition with Cuban sugar?

A. It does, for this reason -- the Cuban granulated would come into the wholesalers, chain stores -- he repackages it in paper bags and sells it.

Q. Is there competition between Canadian packaged sugar and Cuban packaged sugar?

A. It is not identified in packages called Cuban in the little bags the grocers put up, but at the same time it hurts the beet sugar industry in the twelve counties where we grow sugar beets -- I began in sugar beets and I am sticking right up for them.

Q. In the letter we are dealing with, that is 989 and 990, what specifically did you have in mind in regard to beet sugar being a buffer against Cuban refined?

A. Well, the word probably I used there, it is not a buffer -- beet sugar is a real production from the farmers of Ontario and politically the farmers are very strong in protecting the sale of beet sugar in the beet sugar areas against foreign refined.

Q. It is in that sense that it is a buffer?

A. Yes -- I want to go on record here that my heart is entirely in that beet business."

(Evidence, pp. 531-32)

The following draft memorandum, apparently prepared by Mr. McGregor on January 4, 1954, indicates further the position taken by C. & D.:

". . .

Discuss with Lawrence Kerr what steps should be taken to save this industry. First of all, we think he will agree that the Association as it now stands is no longer any asset. It would give stimulus to sugar beets if Lawrence Kerr would take the Presidency of the Ontario association and in his vigorous fashion build up a live organization. The association has offered nothing constructive since the war, whereas the company and the association should be teaming together to increase acreage and build up a healthy industry. It is no good holding district meetings merely to go through motions of electing a Director who, in some cases, hasn't grown beets at all, as is currently the case, but more important to work up enthusiasm to grow more sugar beets. Unless there is this teamwork between the association, farmers and company, the industry will surely perish.

. . .

We suggest there is vital need for a live-wire, full-time manager of the Ontario Growers' Association. Many important matters are constantly confronting Canada's sugar beet industry which could be best solved through discussions between an executive growers' committee, including their manager, and the company.

The campaign, on behalf of the sugar beet industry, against dumping of Cuban refined sugar produced by tropical labour, on Ontario's beet sugar market in the last six months of 1952 and early 1953, was borne entirely by this company.

The association gave no help whatever; in fact carried an almost hands-off policy. It was readily apparent at that time that the sugar beet industry and growers have great political power if used wisely but in future it must be a joint effort by both processors and growers, and don't imagine for a moment that the need for such action will not arise again. This company is constantly alert to this danger and prepared to go into action before any threat becomes a fact.

. . .

Unless the company and the association do something to disabuse farmers of the idea that they can grow sugar beets only when they feel like it, and that the labour the farmers personally expend is no greater than with other cash crops, then merely jacking up the price per ton of beets is not the answer. Lets get together with some new ideas to help solve our problem before meeting with Lawrence Kerr.

. . ."

(AOG 2450-53, 13411-14)

The following review of information provided by C. & D. on its beet sugar operations is contained in the Statement of Evidence:

"279. In its first return of information to the Director (Exhibit 15) C. & D. gave considerable information in reply to Question 24 on the amounts spent in recent years on agricultural and promotional work directed to the encouragement of the growing of sugar beets and the obtaining of contracts with individual farmers. The amounts so spent were substantial -- being for example over $194, 000 for the year April 1, 1954 to March 31, 1955.

. . .

281. In its return of information, in reply to Question 26 (as amended by letter of May 15, 1956) C. & D. gave particulars as to costs and average net revenues realized on its beet sugar operations in the years 1949 to 1954, inclusive. It is clear that these operations were profitable in the years 1949, 1950, 1951 and 1952. In these years the company made a net profit, per 100 lbs. of beet sugar sold, greater than it made per 100 lbs. of cane sugar sold, with the best profit on beet sugar being made in 1950. In 1953 C. & D.'s beet sugar operations were not so profitable per 100 lbs. sold as were its cane sugar operations and in 1954 the beet sugar side of the business was run at a clear loss. [Production of beet sugar

by C. & D. amounted to 57,711,086 lb. in 1954 compared with 104,100,744 lb. in 1950].

282. 1950, as has already been shown, was the year in which C. & D. had its largest output of beet sugar in the post war period. It was also a year in which raw sugar prices in the world market were at a high level. The average yield of sugar per ton of beets was higher in 1950 than in any other of the years 1947 to 1954, inclusive.

283. C. & D. being interested in both the beet sugar and cane sugar industries is in a situation somewhat different from that of the two other eastern cane sugar refineries because as a beet sugar producer it stands to gain very greatly if the price of raw cane sugar goes very high. The reason is, of course, that raw cane sugar costs generally set the level of refined sugar prices. When raw sugar prices are high the cane sugar refiner does not participate in the raw sugar profits. The beet sugar producer in Ontario is in a different situation because he gets some part of any increase in the selling price. The scale of payments included in the annual contract with sugar beet farmers allows for this. Thus, under the 1955 contract, if the average net return on beet sugar sold was $7.00 per 100 lbs. the farmer got $11.35 for a ton of sugar beets with 16% sugar content delivered at the factory. At $9.00 per 100 lbs. for sugar the farmer would have got $13.85 per ton. If it is taken that on one such ton of beets the yield is 250 lbs. of sugar, the company out of a sale of sugar at $7.00 per 100 lbs. got $6.15 and out of the same ton of beets, at a price of $9.00 per 100 lbs. would have got $8.65. This means that out of a $2.00 per 100 lbs. net increase in the selling price of sugar the company would get an extra income of $1.00 per 100 lbs. In addition if refined sugar prices stayed up, the higher yield for sugar beets which would be anticipated would attract more farmers to the crop and the company would get more beets for processing. As a result of increasing its throughput, unit costs would go down until such time as plant capacity was being used at its most efficient level and thus further profits would arise. It should be noted that the company's realization would be increased beyond the figures shown in this paragraph by revenues arising out of sales of molasses and beet pulp.

284. Whilst the foregoing illustrates the possibilities of very good profits being made, under present rates of tariff protection, from beet sugar operations in Ontario if the world price of raw sugar should go to a high level and stay there for some time, the likelihood of that happening would seem to be doubtful."

Mr. C. D. Howe, Minister of Trade and Commerce, went to Cuba in February, 1953 in the course of a visit to eleven countries and gave a report of his discussions with the Cuban Sugar Institute in his speech to the House of Commons on February 11, 1953 which has already been mentioned. In the course of his speech Mr. Howe said that Cuban producers were disturbed about the methods used to purchase Cuban raw sugar for processing in Canada. He then went on:

> "Assuming that remedial action is taken with regard to these buying practices which have discriminated definitely against the Cuban exporters, I think I can assure hon. members that no Cuban refined sugar will be shipped from Cuba into western Ontario or into the three prairie provinces. It may be that if the refiners are still considered to be taking too wide a margin, refined sugar will go to Newfoundland, which was always a market for Cuban refined sugar; it may go into the maritime provinces. All I am saying is that refined sugar will not be shipped directly from Cuba into the beet-growing markets."
>
> (Hansard, February 11, 1953, p. 1837)

The subsequent events are described in the Statement of Evidence as follows:

> "618. On February 13, 1953, shortly after his return from his South American trip, Mr. Howe had a meeting in Ottawa at which each of the three refiners was represented. A memorandum covering this meeting shows that Mr. Howe described certain conversations he had had in Cuba with sugar personalities there. This memorandum included the following:-
>
> '. . .
>
> Mr. Howe told the refiners that the Cubans had assured him that if they sold their raws direct to Canada then no Cuban refined would be shipped direct to Canada. He said it was up to the refiners to send representatives to Cuba to arrange the purchasing procedure and that this was all that was necessary to take them out of their difficulties. The Cubans had said that they thought they should retain the Newfoundland market. Messrs. Howe and Bull urged refiners to prepare factual evidence which could be used by refiners representatives to disprove Lobo's statement when they go to Cuba.

The assistance of a member of the embassy staff in Cuba who had been present during Mr. Howe's talk with the Cubans was offered to the refiners' representative when he went to Cuba. Deputy Minister Bull offered the full facilities and cooperation of his Department to help refiners in any way.

Mr. Howe said that there was nothing to stop Canadian importers from taking delivery of Cuban sugar in the U.S. and then transporting it into Canada.

In answer to a direct question, Mr. Howe said that the Cubans had agreed to stop shipments of refined to Canada at once pending refiners representatives going to Cuba but that there was not [sic] written agreement. . . '

(ANH 700, 9273-8)

619. In the event, J. R. Crawford and L. J. Seidensticker went to Cuba as representatives of the Canadian sugar interests. They were there from March 11 to 14. A memorandum on this Cuban trip and the matters discussed was prepared. It shows that as at the time the trip was made Cuban refined sugar was still leaving Cuba for Canada and no final arrangements to cut it off were then made. Apparently the Cubans were told, on Mr. Howe's authority 'that unless the implementing by them of their undertaking made with him regarding the importation of Cuban refined into Canada was immediately put into force, the present raw sugar agreement expiring December 31st, 1953 for the annual importation of 75, 000 short tons of Cuban raw sugar will not be extended nor renewed.' (ANH 677A, 9373-4; ANH 679C, 9354-8). A memorandum prepared by J. R. Crawford on March 24, 1953 shows that the undertaking of the Cubans to Mr. Howe concerning the stopping of export of Cuban refined sugar to Canada covered only the export of such sugar to the beet sugar areas of Canada (ANH 656B, 9386; ANH 640, 9375).

620. Negotiations continued and it seems that by April 7, 1953 the Cuban authorities had placed a 30-day ban on exports of refined sugar to Canada (AOG 4049, 12672). By May 7, 1953 the ban on such exports had been extended to cover the remainder of 1953. Apparently the ban was on shipment of Cuban refined sugar to beet sugar producing areas and did not apply to shipments to the Maritimes and Newfoundland (AOG 2060, 12717; AOG 1648, 12743-4; AOG 5076B, 12802-3).

621. 1953 was the last year of the three year arrangement between Canada and Cuba under which Canada was to take 75, 000 tons of Cuban raw sugar annually. . . . On June 6, 1953, T. A. Climo, who was sugar advisor to the Department of Trade and Commerce, wrote to each of the three eastern refineries and said:-

'Re: Trade Agreement Raw Sugars

In order that the obligations of each refinery might be mathematically reconciled within reasonable limits and to obviate the possibility of a major error, the following tabulation of individual responsibility will please be noted:

	Cuba	Dom.Rep.	Haiti	Total
Atlantic	21, 189	17, 000	2, 143	40, 332
Can. & Dom.	21, 444	18, 780		40, 224
St.Lawrence	14, 599	13, 235		27, 834
B. C. Sugar Co.	9, 732	8, 574		18, 306
	66, 964	57, 589	2, 143	126, 696

So that a reasonably close balance might be arrived at, may I suggest that my office be used as a clearing house for future purchases.'

(AOG 1549B, 12788)

It will be observed that the proportions of the trade agreement sugar to be taken by each of the three eastern refiners was not in line with the percentage of total sales enjoyed by each."

3. Arrangements by Eastern Refiners to Eliminate Imports of Cuban Refined Sugar

As previously mentioned, an International Sugar Agreement was negotiated in 1953 and by December 20 it had been ratified by a sufficient number of countries to bring it into effect on January 1, 1954. Although Canada did not become a participant in the agreement until after March 30, 1954 the conditions imposed by the agreement appear to have had an important part in Canada and Cuba not renewing the trade agreement which had existed for the years 1951-53. The particular provision of the International Sugar

Agreement which had relevance to possible trade arrangements between Canada and Cuba was Article 16, which set out the conditions under which Commonwealth countries agreed to maximum export quotas. This article read as follows:

"(1) The Government of the United Kingdom of Great Britain and Northern Ireland (on behalf of the British West Indies and British Guiana, Mauritius and Fiji), the Government of the Commonwealth of Australia and the Government of the Union of South Africa undertake that net exports of sugar by the exporting territories covered by the Commonwealth Sugar Agreement of 1951 (excluding local movements of sugar between adjoining Commonwealth territories, or islands, in such quantities as can be authenticated by custom) shall not together exceed the following total quantities:

(i) In the calendar years 1954 and 1955 -- 2,413,793 tons (2,375,000 English long tons) tel quel per year;

(ii) In the calendar year 1956 -- 2,490,018 tons (2,450,000 English long tons) tel quel.

Subject to contractual obligations assumed by the Governments concerned under the Commonwealth Sugar Agreement of 1951, the quantitive limits for the calendar years 1954, 1955 and 1956 specified above shall not be varied and the provisions of all other articles of this Agreement shall be construed accordingly.

(2) These limitations have the effect of leaving available to the free market a share in the sugar markets of Commonwealth countries. The Governments aforementioned would, however, regard themselves as released from their obligation thus to limit exports of Commonwealth sugar if a Government or Governments of a participating exporting country or of participating countries having a basic export tonnage or tonnages under Article 14 (1) should enter into a special trading arrangement with an importing country of the Commonwealth which would guarantee the exporting country a specified portion of the market of that Commonwealth country."

(United Nations Sugar Conference, 1953; Summary of Proceedings, p. 29)

Discussions among representatives of Canada, Cuba and the United Kingdom on trade matters were carried on in Cuba during December, 1953. On December 7, 1953 Mr. W. J. McGregor wrote

to Mr. H. R. Drummond as follows:

> ". . .
>
> Discussions are still going on in Cuba with U.K. and Canada, as far as I know. I hope some compromise will be reached whereby Cuba-Canada Trade Agreement is renewed with an undertaking by Cuba to continue prohibiting exports of refined to Canada. It will be unfortunate if this drags on and hampers our 1954 sugar beet contract.
>
> . . ."

(AOG 2011, 13346)

According to a memorandum of Mr. J. R. Crawford of St. Lawrence, he was informed by Mr. F. Bull, Deputy Minister of Trade and Commerce, on December 14, 1953 that the United Kingdom representative had left Cuba and it appeared that there would be no bilateral agreement between Canada and Cuba for the year 1954. Mr. Crawford was also informed that Dr. Manas of the Cuban Institute for Sugar Stabilization had expressed the opinion that Cuba would not ship refined sugar to Canada as the market was not as attractive as it had been and that if Cuba should send large quantities of refined sugar to Canada the Department of Trade and Commerce would be watching the situation closely and that there had been discussions as to the possibility of giving some raw sugar business to Cuba in such an event. The memorandum went on to say that the Deputy Minister had indicated that the United Kingdom recognized this possibility (ANH 611, 9474).

Later in December, 1953 it was announced that the Canada-Cuba Trade Agreement would not be renewed. By January, 1954 the ban on the export of Cuban refined sugar to Canada had been withdrawn and apparently offerings were being made to large industrial buyers in Canada. In the face of the possibility of Cuban refined sugar again being imported into Canada eastern refiners immediately began to consider arrangements which could continue the ban on exports of Cuban refined sugar to Canada. The plans under consideration were outlined in memoranda apparently prepared by Mr. J. R. Crawford of St. Lawrence under date of January 7 and 8, 1954. These read as follows:

"January 7th, 1954

MEMORANDUM OF SOME OF THE POINTS J.R.C. TO RAISE WITH DR. ARTURO MANAS DIRECTOR OF THE CUBAN INSTITUTE FOR SUGAR STABILIZATION

1. Refiners have noted that the bilateral agreement between Canada and Cuba was terminated as at December 31st, 1953.

2. As Refiners wish to continue friendly relations with Cuba, they are willing to consider, quite independent of the Canadian Government, and at some extra cost to them, the importation of a quantity of Cuban Raw sugar, with the Institute, on condition that the ban on exports of Refined sugar to Canada is continued.

3. We are willing to send our representatives to Havana to discuss the question of quantity and other particulars which may arise in connection with the matter.

4. Refiners ask that the Cuban Institute give its assurance that no further exports of Refined sugar to Canada will be made until the Canadian representatives have discussed the entire matter with the Cuban representatives.

5. That this matter be kept strictly confidential, as it is one which concerns the Canadian Refiners and the Cuban representatives alone.

....

REMARKS ON J.R.C.'S CONVERSATION WITH DR. ARTURO MANAS AT 1.00 P.M. JAN. 7th, 1954

1. Dr. Manas said he was very interested in the matter.

2. Two large refiners, including Hersheys, have been enquiring regarding the export of Cuban Refined to Canada.

3. No business done to the best of his knowledge.

4. Will confer with colleagues and advise us before next Thursday. (Will probably write)

5. Will do all he can to stop negotiations for export of Refined to Canada.

Dr. Manas' whole approach to the matter was very friendly, and I was left with the impression that the Institute would very definitely be interested in the proposition, and that he, for his part, will do everything to bring it to a successful conclusion.

....

J.R.C. telephoned all of the above to Mr. W.J. McGregor at 1.15 p.m., after having first communicated it to Mr. J.W. McConnell. Mr. McGregor stated he was very pleased and would telephone the result of my conversation to Mr. L. J. S. [Seidensticker].

....

January 8th, 1954.

MEMO ON J.R.C.'S CONVERSATION WITH MR. GEORGE BROWN, COMMERCIAL SECRETARY, CANADIAN EMBASSY, HAVANA, CUBA, AT 12.45 P.M. JANUARY 8th, 1954

1. I informed Mr. Brown that we had been in touch with his Minister, Mr. Howe, regarding approaching the Cuban Institute on the question of the Eastern Canadian Refiners offering to purchase a quantity of Raws direct from Cuba, quite independent of the Canadian Government, and that Mr. Howe was greatly in favour of it.

2. That as a result of this, J.R.C. had called Dr. Manas, a Director of the Cuban Institute, to put the proposition to him, and that he also was very much interested. I then gave him a summary of my conversation with Dr. Manas.

3. Mr. Brown was very pleased that we had thought of calling him to give him the picture, as he was aware that the matter would come up for discussion in Cuba, he having learned that Cuban exporters of Refined were again considering the possibility of selling in the Canadian market.

4. I advised Mr. Brown that at this juncture these conversations were to be considered strictly confidential, and that we were keeping him informed in the event that Dr. Manas or some other member of the Cuban Institute should communicate with him.

He informed me that he would discuss the whole matter with the Ambassador."

(ANH 601-02, 9777-78)

Steps were taken to inform Mr. Howe of Mr. Crawford's telephone conversation with Dr. Manas (ANH 595, 9787).

Negotiations with the Cuban Institute proceeded along the lines described above and on January 19, 1954 Mr. Crawford wrote to Dr. Manas as follows:

"This will confirm the writer's telephone conversation with you of this morning, when he discussed the question of the Eastern Canadian Sugar Refiners purchasing a quantity of Raw sugar direct from Cuba, in co-operation with the Cuban Institute.

The points discussed were as follows:

(1) The Cuban Institute agrees in principle to our suggestion to purchase a quantity of Cuban Raw sugar direct from Cuba, and have named the quantity of 75, 000 short tons. At the same time they request that the situation relating to the importation of Cuban Refined into the Maritimes and Newfoundland be maintained on the same basis as last year, as negotiated by the Canadian Refiners' representatives on their visit to Cuba in March, 1953.

(2) That you and your associates will receive representatives of the Canadian Sugar Refining industry to discuss the matter in detail, at a date to be arranged, subsequent to February 1st next but as soon as possible thereafter.

After discussion of these points with the other representatives of the industry interested in the matter, we wish to state all have agreed in principle to the above understanding. Naturally, we must await our conversations with you before determining our final position with regard to the importation of quantities of Refined into the Maritimes and Newfoundland, but we are certain that an amicable arrangement can be reached between us on this point, preferably by the purchase of Raws at least equal to the quantity of Cuban Refined exported to the Maritimes and Newfoundland last year.

In this connection, the Refiners point out that they will not only have to pay 15 cents per 100 lbs., more Duty, but sacrifice a substantial discount on an equivalent quantity of Commonwealth Raws which they are normally able to purchase below Cuban parity c.i.f. Montreal.

We feel it would be unwise to introduce the matter of leaving the Maritimes and Newfoundland open to imports of Cuban Refined sugar, and we are confident with these facts in hand that

you and your associates will give this matter the careful study and attention it deserves.

As reports are prevalent here that Cuban Refined is being offered freely to Canadian manufacturers, for delivery to areas other than the Maritimes and Newfoundland, we should like to request that the Cuban Institute take such steps as they consider necessary to stop any sales being made to Canada until the Canadian representatives have had an opportunity of discussing the situation with them."

(ANH 578-79, 9809-10)

Steps were again taken to inform Mr. Howe of the progress of the negotiations (ANH 586A, 9813).

Messrs. Crawford and McGregor proceeded to Cuba early in February and the agreement between the eastern refiners and the Cuban Institute was expressed in two communications, one dated February 11, 1954 from the Cuban Institute to "Messrs. W. J. McGregor and J. R. Crawford, Representatives, Canadian Sugar Refining Industry" and the other dated February 12, 1954 from Messrs. McGregor and Crawford to the Cuban Institute. In both cases the documents were brief. The first read as follows:

"February 11, 1954

"Messrs. W. J. McGreggor [sic] and J. R. Crawford,
Representatives, Canadian Sugar Refining Industry,
Montreal-Quebec,
Canada.

Dear Sirs:

This is to confirm our understanding with you in connection with the export of refined or direct consumption sugar from Cuba to Canada, to the effect that this Institute undertakes to make the necessary arrangements in order to assure that, as of the date of this letter, no Cuban refined or direct consumption sugar shall be exported from Cuba to Canada, directly or otherwise, during 1954.

Yours sincerely,

INSTITUTO CUBANO DE ESTABILIZACION DEL AZUCAR
(signed) Juan Aguirrechu

Juan Aguirrechu
Acting President"

(ANH 32, 9908)

The letter from the Canadian sugar refiners was as follows:

"Havana, February 12th 1954

Instituto Cubano de'Estabilizacion del Azucar
Agramonte No. 465
Habana

Dear Sirs:

This is to confirm the understanding that has been reached in the conversations between you and ourselves as representatives of the Canadian sugar refining industry, relating to the purchase by the Canadian refiners from the Cuban producers of 80,000 short tons of current year crop raw sugar.

The sugar will be purchased through the normal market channels and under the usual conditions of sugar trade for raw sugar destined to the world market, subject that all the sugars should be shipped not later than November 30th, 1954.

This understanding will apply for the year 1954, but it will be extended from year to year if so agreed as to the quantity and conditions, not later than December 1st of each year.

Yours sincerely

(signed) W.J. McGregor (signed) J.R.Crawford
W. J. McGregor J. R. Crowford [sic]
Representatives, Canadian Sugar Refining Industry
Montreal - Quebec, Canada

ACCEPTED:

INSTITUTO CUBANO DE ESTABILIZACION DEL AZUCAR

(signed) Juan Aguirrechu

Juan Aguirrechu
Acting President"

(AOG 1656, 13534)

The increase in the purchase offer of the eastern refiners from 75, 000 short tons to 80, 000 short tons was made to dispose of the question of export of refined sugar from Cuba to the

Maritimes and Newfoundland, which had been equivalent to a raw sugar quantity of 1,600 tons in 1953. This is shown in a detailed memorandum of the negotiations in Cuba prepared by Mr. Crawford in which he indicated that the Canadian Embassy in Havana was kept informed of the negotiations and that the British Government, on hearing of the visit of the Canadian refiners, had objected to the course of the negotiations. In his memorandum Mr. Crawford wrote that the Cubans had been told:

> ". . .
>
> . . . the transaction must be regarded as a private undertaking between the Canadian Refiners and the Institute, nevertheless the Canadian Government Department of Trade and Commerce had been apprised of it. Furthermore, the Honourable Mr. C. D. Howe had stated that the Canadian Refiners were free to do as they pleased in matters concerning sugar. . . .
>
> . . ."

(ANH 500B-507I, 9897-9904)

The attitude of the British Government was already referred to in a letter of February 11, 1954 from Mr. C. D. Howe to Mr. J. W. McConnell of St. Lawrence:

> "I thought you might be interested to know that the United Kingdom Government is aware of certain negotiations that are going on in Cuba and have sent us a message along the following lines.
>
> The United Kingdom Government has heard a story from Havana that Canadian refiners have offered to buy Cuban raws in return for an undertaking by the Cuban Institute to prohibit or limit Cuban exports to Canada. The refiners were said to be willing to pay an extra twenty points in order to protect their present margins on refined sugar.
>
> At first, an amount of 25,000 tons of raw sugar was mentioned. This did not unduly disturb the United Kingdom, although they did not like the reported tie up with refined sugar which they felt could not go through without the approval of the Cuban Government, and might therefore involve difficulties with respect to Article 16(2) of the International Sugar Agreement. On the other hand, the United Kingdom realized that a deal of this kind might remove a sore spot both in Canada and in Cuba. The United Kingdom would

rather like to see some Cuban raws sold in Canada over the preference as being a sort of cheap insurance premium.

The United Kingdom now learns, however, that McGregor is in Havana and is offering to buy 75, 000 tons of raws in return for a ban on refined. The United Kingdom cannot ignore this and have reminded the Institute that the British Colonies have not yet acceded to the International Sugar Agreement and will probably not do so if these rumours persist. This could mean a break-down of the Agreement.

It appears to the United Kingdom that it will be impossible to hide the fact that the purpose of the deal is to protect refiners margins, and even if nothing is said about this in Canada, it will certainly be said in the U.K. and in the colonies.

. . ."

(ANH 386-87, 9909-10)

After his return to Montreal from Cuba, Mr. J. R. Crawford wrote to Mr. L. J. Seidensticker of Acadia-Atlantic as follows:

"Apropos our conversation of this morning, when I gave you a brief summary of some of the incidents which took place during our negotiations in Cuba, I am pleased to enclose herewith signed copies of the two agreements reached with the Cuban Institute for Stabilization of Sugar, one covering the ban placed on the exports of refined or direct consumption sugar from Cuba to Canada during the year 1954, and another undertaking on the part of the Canadian sugar refining industry, relating to the purchase by them from Cuban producers of 80, 000 short tons of current year crop Raw sugar.

As pointed out to you on the telephone, the document from the Institute to the Canadian Refining Industry, placing a ban on the export of Cuban refined and direct consumption sugar, exported directly or otherwise, is dated one day anterior to our agreement reached with them for the purchase of 80, 000 tons of raw sugar. This has a certain significance of which I am sure you are certainly aware.

In addition, it is to be noted that Cuban Raws sold under the agreement, are to be shipped from current crop production."

(ANH 526, 9928)

In giving evidence about the second paragraph of this letter, Mr. Crawford said:

> ". . . In as much as this request dealt only with the purchase of raw sugar I should like to point out the real significance of my remark in the letter referring to the refined sugar transaction having taken place one day before the signing of the raw sugar agreement means nothing more than I was merely drawing Mr. Seidensticker's attention to the fact that since I knew he was aware that the Cuban industry as a body had repeatedly stated it was not interested in the export of refined sugar to Canada they had in this instance deemed it only proper to give an undertaking on refined one day prior to the signing of the raw sugar agreement in recognition of the fact that we had immediately complied with their request when we initiated negotiations with them for the purchase of a quantity of Cuban raw sugar, which procedure seemed of some importance to them at the time for either internal or political reasons.
>
> It should also be pointed out that Cuba is historically and essentially a producer of raw sugar, that the Institute and all important producers appreciate the fact that it is impracticable to sell both raw and refined sugar to Canada at the same time, that they realize it must be one or the other, and as I have already pointed out their only real interest is in the export of their raw product which represents the basis of their entire economy."

(Evidence, pp. 1258-59)

A report of the arrangements made by the eastern refiners with the Cuban Institute appeared in Canadian newspapers on February 23, 1954. On the same day, Mr. J. W. McConnell telephoned to Mr. C. D. Howe and made the following memorandum of the conversation:

> "In conversation with Mr. Howe this morning I told him I was calling to keep him informed on the Sugar situation and that, because of a front page Article in the London Free Press, announcing the bargains made between the Canadian Sugar Refiners and the Cuban raw producers, which was a fair and reasonable Article; as to the facts, it struck me that there might be questions asked in the House, and that the most important answer to any criticism of Refiners bargaining with Cuba for the purpose of protecting their own market was the general announcement of the Sugar Refiners this morning of a 25¢ reduction by all Cane Sugar Refiners - effective this morning at 1030.

To this Mr. Howe replied - 'Good - that is the best answer that could be given.'

. . .

Mr. Howe seemed pleased and said that the reduction of 25¢ this morning was the best answer that could be made to anyone criticising the Canadian Refiners for making a deal with Cuba to protect their own market. If he wished, he might add, this was 'an entirely voluntary action - without any hint or suggestion from the Government because Canadian Refiners, as you have yourself said - are free to do as they please in buying or selling their sugar.'

I also pointed out to Mr. Howe that anything that affected our profits severely also affected the Taxes we were able to pay to the Canadian Treasury.

I gave him for example the B.C. venture in the production of Raw sugar in San Domingo, where this year they have been overtaken by a Tax of $960, 000 on a gross profit of One million.

Mr. Howe thanked me for giving him this uptodate information on the situation, and was most pleasant and agreeable through the entire conversation.

He did remark that he thought we could have gotten away with a purchase of less than 80, 000 tons. In reply to this comment I pointed out that last year when we took in 75, 000 tons of Raws from Cuba, they were also sending in Refined, and the two items together totalled about 90, 000 tons.

The Cubans asked if they could retain their market in the Maritimes and Nova Scotia, and we disagreed - stating that this might involve the Sugar flowing all through Canada from the East, and to offset the comparatively small amount they sell down there we agreed to take in an additional 5, 000 tons, making a total of 80, 000 tons."

(ANH 391-92, 9936-37)

In a speech in the House of Commons on June 10, 1954, Rt. Hon. C. D. Howe, Minister of Trade and Commerce, made the following reference to Canada's participation in the International Sugar Agreement:

"You ask why Canada signed. I do not quite know why we signed except that our principal trading countries were very anxious that we should. The United Kingdom asked us to support the agreement. Cuba, with whom we had developed a good trade, made a similar request. Before we did so we got an agreement from Cuba in the most explicit terms that the favourable trading conditions that we enjoyed in Cuba as the result of our purchase of Cuban sugar for a three-year period would carry on without that purchase, provided Canada would sign the sugar agreement.

We do not like cartels. We do not like to be members of them. However, there seemed to be no penalty in it and therefore we decided to sign the sugar agreement. Canada is free to buy its sugar from any member of the agreement, which includes practically every sugar producing country that Canada has ever patronized. We can see some advantage in a stable price. The difficulty that our beet sugar producers had in the past resulted from an abnormally low price in the cane producing areas. The fact that there is a cartel among the producers is a protection to our sugar beet growers and the fact that there is a maximum price, which is quite reasonable, is a protection to the consumers of Canada."

(Hansard, June 10, 1954,
p. 5791)

It will be recalled that the purchase of raw sugar under the Canada-Cuba Trade Agreement of 1951 was to be made not only by the three eastern refiners but also by The B.C. Sugar Refining Company, Limited of Vancouver. The arrangements made by the three eastern refiners with the Cuban Institute embraced only their own purchases of raw sugar. Statements in the files of C. & D. and St. Lawrence show that 80, 000 short tons of Cuban raw sugar or 71, 428 long tons had been purchased by the three eastern refineries by September 3, 1954. These statements also show that allotments (in long tons) had been made as follows:

Atlantic	25, 357 long tons
C. & D.	30, 714 " "
St. Lawrence	15, 357 " "

(AOG 1671, 14368;
ANH 2506, 10219)

In percentages of the total the allotments were as follows: Acadia-Atlantic, 35½ per cent; C. & D., 43 per cent and

St. Lawrence, $21\frac{1}{2}$ per cent. These proportions are the same as the relative proportions of sugar sales for each refiner over a period of years.

Well in advance of the expiration of the agreement with the Cuban Institute for 1954 the eastern refiners took steps to seek an agreement for the next three years. In advance of a meeting in Cuba Mr. J. R. Crawford prepared the following memorandum on August 16, 1954:

"J.R.C. to say to Cubans:

(1) that despite the fact Refiners' negotiations with Cuba are known to the Canadian Government, it would be in the interests of both parties to keep the matter strictly private in every respect, for the reason that there are many outside interests opposed to it, such as the British Ministry of Food, and Commonwealth producers.

(2) when the question of quantity is raised, it should be stressed with the Cubans that so long as it is kept at a figure approximating 80, 000 tons there can be no severe criticism from the British authorities, as this amount has become a more or less accepted requisite to keep Cuba from invading this market with refined, which latter would seriously affect the Canadian Raw sugar business with the Commonwealth countries. In fact, we would have no market in Canada at all, should this happen.

(3) Renegotiation of Contract: Suggest 3-year contract. If it is not possible to negotiate this, on the same terms as that concluded for the current year, suggest to the Institute that we will give them an increase equivalent to the natural annual increase in Canada, which is approximately 3% per annum.

This would therefore mean that on an 80, 000 short tons basis (The quantity of the present agreement) we would increase the first annual quantity by 2, 400 tons."

(ANH 473, 10209)

Messrs. Crawford and McGregor visited Cuba in September, 1954 and carried on negotiations with the Cuban Institute extending over several days. As usual, Mr. Crawford prepared a detailed memorandum setting out the various matters which were discussed. The Cubans were interested in securing from the eastern refiners a commitment for the purchase of a larger quantity of raw sugar and also in making some sales of refined sugar to Canada as

apparently some Cuban refiners were opposed to the complete ban on exports of refined sugar to Canada. Mr. Crawford's resume of the discussion on the first day, September 20, 1954, contains the following points made by the Canadians and the replies of the Cubans:

". . .

(1) We believe the Commonwealth countries will not become unduly disturbed if the quantity remains fixed at the present level of 80,000 short tons, although naturally, they would wish to see us purchase nothing other than Empire sugars, and have often emphasized this fact.

(2) If there is to be an increasing encroachment in what they, the Commonwealth producers, consider to be their natural market, this might attract attention at Government level.

(3) The exportation of Cuban Whites to Canada presents as much of a political problem as it does an economic and industrial one. It will be remembered it was this incident which raised the ire of the Canadian beet farmer. He, without question, is a powerful political factor, capable of bringing tremendous pressure to bear upon the Government, as was demonstrated when the Hon. C.D. Howe was in Cuba two years ago.

(4) Whilst it is generally assumed the Canadian Refiner absorbs 15 cents per 100 lbs., in the purchase of Cuban Raws, in actual fact this absorption is often as great as 25 and 30 cents, due to the traditional discount of 10-15 cents per 100 lbs., received by the Canadian Refiners (below the going market price) in the purchase of Commonwealth sugars.

(5) The Canadian Refiners wish to continue their very friendly relations with Cuba and shall do everything possible to this end.

(6) At the present time, for economic as well as political reasons, we believe it would be conducive to our mutual advantage in the future, if the present status quo is maintained.

(7) 'GATT' is soon coming up for revision. Its present trade provisions could quite easily be tightened and thereby cause difficulties for both of us, if a three-year contract which we now recommend, is not completed at this time.

Dr. Manas replied to the above comments by stating

that in the interval, since the signing of the last agreement in the Spring of this year, the Cuban Institute had been subjected to great pressure by the Cuban producers of both Raw and Refined, and that all were demanding a substantial increase over the present quantity. However, he stated that despite the fact several Centrals are producers of both Raw and Refined, the Institute had been successful, he thought, in convincing them it was their principal interest and concern to concentrate on selling Raw sugar only, to Canada. He asked, however, if it would be feasible to ship a limited quantity of Refined in satisfaction of these demands, and stated that it was almost politically impossible to exclude Refined altogether.

He further informed us that Sr. Aspuru, a large producer of Raw and Refined, - at the signing of the last agreement had been persuaded to reduce his ideas from 150, 000 tons of Raw sugar, a figure which Sr. Aspuru considered to be reasonable, to the 80, 000 tons contracted for. (Note: W. J. McG. and J.R.C. found Sr. Aspuru very helpful and understanding during our conversations last Spring. He was not present at these meetings, since he was visiting on the Continent.) In reply, Mr. W.J. McG. stated the Beet farmers had Mr.Howe's publicly announced promise that no Cuban Whites would be allowed to enter Canada, therefore, he, W.J. McG., considered it as being outside his jurisdiction to discuss or alter this in any way. Moreover, he stated, that to permit Cuban Whites entry into Canada again would revive a political issue of some significance. He was convinced it would have repercussions which it would be advisable to avoid, in the interests of future Cuban-Canadian trade.

Messrs. Manas and Barroso acknowledged the possible implications.

W.J. McG. then submitted trade figures between Canada and Cuba for the first six months of 1954 and 1953 respectively, as follows:

	First Six Months of 1954	First Six Months of 1953
Canada exported	\$8, 326, 683.00	\$7, 954, 000.00
Canada imported	6, 107, 000.00	6, 210, 000.00

It was pointed out by him that these figures should be augmented in favour of Cuba later in the year, as less than half of the total exportable Cuban Raws to Canada for the current year were included.

This information was received favourably by the Cuban representatives.

. . ."

(ANH 422A-26E, 10244-48)

As it was indicated that from the Cuban viewpoint "it appeared politically impossible to bar Cuban refined from Canada entirely" and as it was suggested that Cuba would be willing to restrict shipments of refined to Newfoundland or to any other area recommended by the eastern refiners, the following position was then taken in the negotiations by the eastern refiners:

". . .

Your suggestion of increasing purchases of Cuban Raw sugar by Canadian Refiners from 80, 000 short tons to 85, 000 short tons annually for the calendar years 1955-6-7, less a token quantity of Cuban refined sugar, has been given our very careful thought. There are naturally political aspects confronting Canada as well as Cuba.

Having regard to these political considerations, and much as we would prefer to see the ban on Cuban exports of Cuban refined to Canada continued, we, because of its political significance, agree to purchase 85, 000 short tons of Raw sugar annually during the above-mentioned three-year period, less an equivalent quantity of Raw sugar equal to 2, 000 short tons Cuban Refined sugar annually for the duration of this agreement.

As recommended by the Cuban Sugar Institute, it is understood that the export of the said 2, 000 short tons Cuban Refined sugar annually will be confined to the provinces of Newfoundland and B.C. during the terms of this agreement, and that such refined sugar shall not be subject to resale or diverted to points outside Newfoundland and B.C.

The Eastern Refiners are assuming the whole burden of the higher cost of the 85, 000 tons of Cuban Raw sugar, comparable with cost of Empire raws, viz., duty 15¢ plus traditional discount 10 to 15¢, or an average of at least 25¢ per 100 lbs. below cost of Cubans.

Eastern Refiners reduced prices 25¢ immediately following signing of agreement last February. In contrast, B.C. Sugar Co., at Vancouver have not actually been subjected to

competition of Cuban Refined and have disregarded our reduction in Canadian Refined prices for that reason.

. . ."

(ANH 422A-26E, 10244-48)

After a further proposal by the Cubans that the quantity be raised to 95,200 short tons, which proposal the representatives of the eastern refiners did not discuss, a common basis of agreement was reached which Mr. Crawford described as follows:

". . .

Finally, Dr. Manas stated they were agreed that a maximum of 85,000 short tons of Raws annually for a period of three years would be acceptable to them, but that it would take a considerable amount of pressure on the Institute's part to make it effective, as one producer and possibly two or three were likely to raise very serious objections.

The question of Refined export to Canada was automatically dropped.

. . ."

(ANH 422A-26E, 10244-48)

The discussions in Cuba concluded at this stage with the expectation that an agreement would be ready for signature in a week to ten days. Actually it was not until December that an arrangement for 1955 was confirmed.

On October 19, 1954 Mr. C. D. Howe wrote to Mr. J. W. McConnell as follows:

"A report has reached me that you and the two other Eastern sugar refiners are renewing your contract with Cuba. It has also been reported to me that the refiners concerned have been defending both this renewed contract and the original contract on the grounds that they have my approval.

I am writing to remove any possible misunderstanding. You will remember that we had a conversation just before the representatives of the Canadian refineries visited Cuba. You told me about your plans and I listened with great interest. But I did not give any assurance that such a transaction would have the approval of the Government of Canada since I knew as

you did that it might lead to investigation under the Combines Investigation Act.

These Cuban transactions, I understand, may be followed by changes in methods of purchasing raw sugar from Commonwealth sources. I hope that you and your associates in the refining business have given careful study to the implications of these changes. I think you will agree that it is in the interest not only of Canadian producers and consumers of sugar but also of the country generally to retain a thoroughly competitive market in which all Commonwealth suppliers have an opportunity of competing for their share of Canadian requirements."

(ANH 384-85, 10276-77)

In a memorandum prepared by Mr. J.C. Crawford on October 21, 1954, apparently for the use of Mr. McConnell, the following appears:

". . .

At no time during the Canadian Refiners-Cuban conferences last September, did the representatives of the Canadian Refiners state that their mission had Mr. Howe's approval, - on the contrary, they purposely avoided communicating with Canadian Government representatives, including the Canadian Embassy.

. . ."

(ANH 429B-30, 10292-93)

Mr. McConnell had a telephone conversation with Mr. Howe on October 21, 1954 and his memorandum of the conversation is as follows:

"I expressed some astonishment at the tone of Mr. Howe's letter and gave him all the significant points in the attached memo from J.R.C. emphasizing the fact that, despite the Refiners' recent arrangement with the Cubans for . . . 71,428 long tons --- this left a balance, including B.C. somewhat in excess of 500,000 tons to be purchased from Commonwealth producers.

I also called Mr. Howe's attention to the fact that his approval of the conversations with Cuba this year had never been suggested by Mr. J.R.C. or Mr. McG.

I expressed surprise at his reference to the transaction possibly leading to investigation under the 'Combines Investigation Act' since I had called him personally on the telephone to inform him that immediately after the arrangement with the Cubans a reduction of 25¢ per 100-lbs. was made by the Eastern Refiners, to which, at that time, Mr. Howe replied - 'Good -- that is the best answer that could be given' in case any complaints were received.

The fact was also stressed that the Canadian Cane Refiners found it difficult during July of this year to secure offerings of B.W.I's by the British Committee controlling the sale of these sugars.

I told Mr. Howe we found it hard to believe that some type of control still existed with respect to Canadian Refiners buying their necessary supplies of Raw sugar, for which the Canadian Government were not responsible, since Mr. Howe, himself, declared in the House of Commons in reply to a question from Mr. Murphy (Lambton West) June 10th. -- 'Our Refiners buy their Raw sugar where they please and make their own arrangement as to price. The Government is out of the sugar business, I am happy to say.'

Mr. Howe was also informed of our recent arrangement with Australia, and that we were told by the Australian representatives themselves, who called here to discuss the matter of the sale of their sugars, that they had sold 50, 000 tons to Japan because they found the freight rates decidedly in their favour.

Since that date we have been informed that 30, 000 additional tons have been sold to Japan.

In Czarnikow bulletin of October 21st, the purchase of 30, 000 additional tons of Queensland Raws, it was stated had been confirmed.

During my conversation with Mr. Howe a cable came in accepting the offer of Eastern Refiners for 50, 000 tons of Australians, priced at the average date of melting, but 98% paid for upon receipt of Bill of Lading."

(ANH 380A, 10302)

Although the representatives of the eastern refiners endeavoured to secure early confirmation of the arrangement with the Cuban Institute for 1955, this was not forthcoming until December, 1954. In the exchanges about confirmation Dr. Manas of

the Cuban Institute was advised that a three-year contract for Queensland sugar was being negotiated by the eastern refiners. On December 16, 1954 Dr. Manas cabled Mr. McGregor as follows:

> "WITH RELATION TO OUR CONVERSATION WITH YOU AND MR CRAWFORD IN CONNECTION WITH THE DEAL FOR THE PURCHASE OF EIGHTY FIVE THOUSAND SHORT TONS OF CUBAN CENTRIFUGAL SUGAR I CONFIRM THE UNDERSTANDING REACHED TODAY THAT THAT THE CANADIAN REFINERS WILL PURCHASE:
>
> CUBAN RAW SUGAR IN AN AMOUNT OF EIGHTY FIVE THOUSAND SHORT TONS TO BE SHIPPED DURING 1955 STOP I EXPECT THAT YOU WILL BE ABLE TO BE IN HAVANA DURING THE MONTH OF JANUARY TO EXPLORE THE POSSIBILITY FOR A MORE PERMANENT AGREEMENT STOP BEST REGARDS AND THE SEASONS GREETINGS FOR YOU AND MR CRAWFORD FROM RASCO AND MYSELF"
>
> (AOG 1667A-68, 14697-98)

A memorandum, apparently prepared by Mr. McGregor on December 16, 1954, reads, in part, as follows:

> ". . .
>
> Dr. Manas said that there had been some opposition from Cuban refiners to the three-year proposal of 85, 000 short tons raw sugar annually and that he was instructed to make a deal with Canadian refiners for 85, 000 short tons raw sugar for the year 1955 only. Cuban exporters were interested in shipping raw sugar only to Canada, not Cuban refined nor direct consumption sugar of any kind including liquid sugar.
>
> Dr. Manas was disappointed that I had not come to Cuba in November and inquired whether I would be there in January . I told him I would be glad to do so as it was felt advisable to maintain a frequent contact at high administrative and political levels. Dr. Manas asked me to bring down early in 1955 draft copies of three-year contracts with Queensland and possibly Mauritius as he felt that after consultation with me at high government level in Cuba, the Cubans would consider extension of the one-year contract covering 85, 000 short tons raw sugar for 1955, for a longer period, which would give strength and stability to the present friendly relations between eastern Canadian refiners and Cuban Sugar Institute.

Dr. Manas told me that the deal was closed for the year 1955 on the basis of 85, 000 short tons of Cuban raw sugar but would be subject to reopening for a longer period following discussions with me in January.

. . ."

(ANH 401, 10329)

A memorandum in the files of St. Lawrence dated December 22, 1954 reads as follows:

"Talked with Dr. Manas at 4 p.m. today and told him that Atlantic had bought 4, 000 tons Cubas for late February shipment, which pleased the Dr. very much.

I told him that we had confirmed Queensland proposal for a three-year contract and that there was a possibility of closing a three-year contract with Mauritius. I told him I expected Mauritius representatives to be in Montreal next month and inquired whether he didn't think it would be advisable to have both three-year contracts with us when we went to Cuba. He said 'by all means' and that February would probably be a better month for our discussions.

On asking him about the agreement for 1955, he said he was sending a joint letter to Messrs. Crawford and McGregor covering the year 1955. Our discussions later in Cuba could develop into an agreement on a longer and more permanent basis."

(ANH 37, 10356)

A letter from Dr.Manas to Messrs. McGregor and Crawford confirming the cable of December 16 was dated January 6, 1955 and reads as follows:

"This is to confirm the understanding reached between you as representatives of the Canadian Sugar Refining Industry and this Institute, relating to the purchase by Canadian refiners from Cuban producers of 85, 000 short tons of the 1955 raw sugar crop.

It is understood that the sugar will be purchased through the normal market channels and under the usual conditions of the sugar trade for raw sugar to the world market, and also that all the sugar purchased should be shipped not later than November 30, 1955.

We would appreciate your acknowledging receipt of this letter and remain, "

(ANH 27, 10359)

The reply from Messrs. McGregor and Crawford, dated January 10, 1955, was as follows:

> "This acknowledges receipt of your letter of January 6th and confirms understanding reached between you and ourselves, as representatives of the Canadian sugar refining industry, relating to purchase by Canadian refiners from Cuban producers of 85, 000 short tons Cuban raw sugar for delivery in 1955.
>
> It is understood that the raw sugar will be purchased through normal market channels and under the usual conditions of sugar trade for raw sugar to the world market, and also that all the raw sugar purchased should be shipped to Canada not later than November 30th, 1955."

(ANH 28, 10360; AOG 1811, 14740)

It will be noted that in the foregoing memoranda there are references to contracts for the purchase of Mauritius and Queensland sugars which it was apparently considered would be taken into consideration by the Cuban Institute. In 1954 the eastern refiners accepted an offer of 75, 000 tons of raw sugar from the syndicate through which the Mauritius crop is sold. In this connection Mr. W.J. McGregor said in evidence:

> ". . . I think 75, 000 tons were bought in 1954 by the three refiners -- I believe they signed the contracts separately."

(Evidence, p. 542)

Negotiations were then undertaken for the purchase of specified quantities of Mauritius and Queensland sugars for the next three years, 1955-56-57. A factor in the negotiations was the question of deferred pricing, a method by which the cost of raw sugar to the refiner is determined at the time the refined sugar is sold rather than at the time of purchase or delivery. The Montreal refiners, C. & D. and St. Lawrence, were particularly interested in this aspect because of their need to bring in raw sugar for the winter months before the close of navigation. Another element which was introduced into the negotiations by the eastern refiners was a proviso that the buyer should have the option of terminating the contract in the event of foreign refined sugar entering the Canadian market. This proviso took the following form:

". . .

FORCE MAJEURE

The following clause has been included this year in the Mauritius three-year contract for 1955, 1956, 1957, which has been accepted and signed by Mauritius Syndicate and the three Eastern refiners.:

> 'Should foreign refined sugar enter the Canadian market in quantities which in the opinion of the Buyer adversely affect the Buyer's refined sugar market, the Buyer may at his option terminate this agreement. Such termination shall be affected by notice to the Seller and thereupon the Buyer will be released from any damage by reason of non-acceptance of further raw sugar (except raw sugar afloat on ocean carrier). Seller will be entitled to receive from Buyer any monies which the Seller has already paid or is under contract to pay at the time of receipt of notice of such termination and the Seller will use all diligence to cancel or reduce any amount payable therefor.'

We request that this clause be added under Force Majeure section of the Queensland three-year contract."

(ATF 0071-73, 18500-02)

In a letter of February 3, 1955 to Sir William Rook of Czarnikow (England), Mr. Palmer of Czarnikow (Canada) made the following reference to this clause:

". . .

For your private information, I gather the reason behind the 'Refined Clause' is an effort on the part of the Canadian refiners to stop, as W.J. put it, other Governments interfering in the Canadian arrangements with Cuba. He also went so far as to say that earlier on certain B.W.I. producers appeared to be doing their best to wreck the beet industry in Canada by selling direct light sugars to various manufacturers and processers in Ontario !!! . . ."

(ATF 0074A, 18503)

In the case of Queensland sugar the sellers were apparently more inclined to have an annual contract without the proviso for refined sugar. In a letter to Sir William Rook on February 16, 1955 Mr. Palmer of Czarnikow (Canada) referred to

negotiations he had had with Messrs. McGregor and Crawford and said:

> ". . .
>
> I had tried to convince them both that an annual contract, which probably need not be entered into until, say, the 30th June or around that time, would seem to eliminate the necessity for the refined clause. They would know by such date whether or not refined sugar was going to be a menace in the year in question. However, as conversations went on I could not but help feel that they required a three year contract with the refined clause and the Mauritius three year contract (both Jim and W.J. are quite definite that Mauritius have signed for three years) for purposes of their negotiations with Cuba. . . .
>
> The status in their negotiations with Cuba, so far as I know, is that the Cubans have agreed for one year but have not yet agreed to their pact being extended for a three year period. Moreover, there has been some talk of the U.K., or other Commonwealth Governments, trying to persuade Cuba to refrain from their agreement with our refiners. It may be that Jim and W.J. wish to have these quite substantial three year contracts in their pockets to show that Commonwealth Governments are unlikely to intervene in the Canada/Cuba situation, as resumption of the importation of Cuban refined into Canada would immediately cancel their contracts. The foregoing is largely guesswork but it does seem to fit in.
>
> I have noted the contents of your reply to W.J. and Clarence has read to me his further cable to you. There is no doubt whatsoever that he wants the sugar and I would be very surprised if W.J., or Jim, declined to enter into the deferred pricing contracts because Queensland had turned down the refined clause. . . .
>
> . . ."

(ATF 0068-69, 18510-11)

The contracts for Queensland sugar appear to have been made eventually for the three years, 1955-56-57, by C. & D. and St. Lawrence, but the clause relating to refined sugar was in the following form:

". . .

4) In the event of the entry of foreign Refined sugar into Canada on a large scale during the term of this Agreement, sellers will be prepared, if requested, to suspend that portion of the contract not covered by declarations of purchase, pending joint efforts to remedy this situation."

(ATF 0060, 18515)

The inquiry into the sugar industry in Eastern Canada was started by the Director in January, 1955. There is no documentary evidence as to further arrangements between eastern refiners and the Cuban Institute, but oral evidence is to the effect that commitments for the purchase of 85,000 tons of Cuban raw sugar were made by the eastern refiners for the years 1956 and 1957. Portions of the evidence of Mr. W.J. McGregor relating to the latter years are as follows:

"Q. Have any arrangements been made respecting the year 1956?

A. Yes, and also 1957.

Q. What are the arrangements which have been made?

A. I am just going back, if I may to September, 1955 -- I was in Cuba -- I visit there -- and I met informally with the Minister of Agriculture, Senor Lopez-Castro, Dr. Manas, former president of the Cuban Sugar Institute, Dr. Barroso and Dr. Guerra -- Dr. Manas talked generally about purchases of raw sugar for 1956 and 1957 -- he repeated on two occasions, he said this, Dr. Manas to those present, that Cuba is not interested in exporting Cuban refined sugars to Canada nor liquid sugar, nor high test molasses, but they were interested in a continuing annual outlet for raw sugar in Canada -- then on December 15, 1955 I was spending a few days in New York, and Dr. Barroso and Dr. Mustelier, who is a Partner in Dr. Manas' law firm, met me in New York and asked if I would renew a contract, I think it was renew, or anyway would take on a contract of 37,000 short tons of raw sugar to be delivered from the crop years of 1956 and 1957 -- he repeated voluntarily, Dr. Manas' statement of September, that Cuba was not interested in the export of Cuban refined, nor liquid sugar, nor high test molasses to Canada, but they were appreciative of

the portion of the raw sugar they were obtaining from Canada -- I signed that contract.

Q. Is the situation in respect to 1956 and 1957 then that you have contracted for 37, 000 short tons in each of those years?

A. That is right.

. . .

Q. During the years 1954 and 1955, when the joint arrangement you have told us about was in effect, how was the allocation of sugar to individual refiners made?

A. On the basis of the percentage allocated to us during the war by the government, as close as I can recall."

(Evidence, pp.456-59)

And again:

"Q. Do you feel that you will be at a cost disadvantage because of your contract to take 37, 000 tons of Cuban sugar .

A. No -- we buy that on the open market, you know.

Q. My whole point here is that you have told us you contracted for 37, 000 tons of Cuban sugar which will cost you 15 cents a hundredweight more than other sugar. I was wondering whether your company could go and do that independently, without knowing whether other refiners are going to be saddled with additional cost along the same lines?

A. Well, I assumed they would take up the balance of the 85, 000 tons, which I believe both Canada and the British Ministry were agreeable to.

Q. When you say 'Canada', what do you mean?

A. Well, Canadian refiners would buy.

Q. That is St. Lawrence, Acadia-Atlantic and Canada and Dominion?

A. Right."

(Evidence , pp. 482-3)

The proportion which 37, 000 tons forms of 85, 000 tons is approximately 43 per cent, which was the allotment of C. & D. under the arrangement made with Cuba in 1954.

The evidence of Mr. Seidensticker of Acadia-Atlantic contains the following:

"Q. What is the present arrangement?

A. The present arrangement, which was concluded -- I think it was Cuba that came up and visited, Cuban representatives; it was not Dr. Manas but Dr. Barroso and his associates. They came up and submitted to us a suggestion that we enter into a contract to take -- I just forget what it was -- but I think it was 30, 000 tons, for two years, 1956 and 1957. And that was done. So far as we were concerned, it was just word of mouth. But we undertook to take it. That was just maintaining, again, the status quo, going back to 1951, 1952 and 1953 arrangement, but with a provision for two years instead of one year.

BY SENATOR HAYDEN:

Q. That was an arrangement between representatives of the Cuban Sugar Institute?

A. Yes.

Q. And Atlantic?

A. Yes and Atlantic.

BY MR. MacLEOD:

Q. When were these arrangements made?

A. They came up -- I think it was December, if I remember correctly. I think it was December of 1955. They were anxious -- seemingly very anxious to maintain the situation untroubled. They came up and visited us. We did not go down there. So far as I know, I do not think the others went down, either. They came up to see us.

Q. Were the negotiations and discussions just between representatives of your company and the Cuban Institute?

A. Yes.

Q. Do you know if similar negotiations were carried on with the other refiners -- St. Lawrence and Canada and Dominion?

A. Yes.

Q. Did you know at the time such arrangements were made that parallel arrangements with the other refiners were in contemplation?

A. Yes, I would say so, definitely -- because there would have been no purpose for us to buy 30, 000 tons, unless the maintenance of the situation was to be persisted in.

Q. The maintenance of what situation?

A. The 1951-2-3 arrangement, the continuance of what had been done then.

Q. What particular aspect were you anxious to have continued?

A. Exactly what was then undertaken.

Q. And what was that?

A. The buying of the raw sugar as it had been established between Ottawa and Havana.

Q. And what was your interest in seeing that Cuban raw sugar came in?

A. Because, so far as we were concerned, we would prefer to buy Cuban sugar, Cuban raw sugar, and not have at the same time to find our customers buying Cuban refined sugar.

Q. Was there an understanding to the effect that Cuban refined sugar would not be shipped in?

A. No, there is nothing of that. As I said previously, the only submissions made were for the Cubans to consider wherein their interest would be best served.

Q. Was that a consideration, in your firm's entering into this agreement to purchase this Cuban sugar?

A. What is that ?

Q. This Cuban refined sugar -- was it a consideration that Cuban refined sugar would not be sent into Canada?

A. There is no undertaking. There is nothing stated at all in any way, shape or form, that Cuban refined sugar will not come in. But I would say that, so far as Cuba is concerned, that, again, in the maintenance of the original undertaking, that they are content to restrict their sales to Cuban raw sugar.

Q. Is that not the real purpose of your taking this sugar, in order to prevent Cuban refined sugar from coming in?

A. That was the real purpose when Mr. Howe asked us to go down in 1952 or 1953.

Q, Does that still continue to be the real purpose?

A. What we have done is to maintain the status quo, as I said. Mr. Howe did not want that which arose in consequence of the refined sugar coming in.

. . .

Q. Did not the undertaking of Mr. Howe extend to keeping Cuban refined out of the beet areas, only?

A. In the first instance, yes. I think that is correct. It was -- when it was in conflict with the beet sugar.

Q. What were the circumstances under which that was changed: were further steps taken to extend it to the whole of Canada?

A. Yes.

Q. By whom ?

A. Because it was quite evident that if it entered here at these low prices it could encroach and grow and affect the situation, and eventually affect your beet area, whether it came in from here or from there.

Q. Did your visit to Cuba with Mr. Crawford have any connection with this particular problem, this particular aspect of the problem?

A. Of what?

Q. Of widening the exclusion of refined Cuban sugar from the whole of Canada?

A. I think they recognized that, yes. Cuba recognized that -- that you could not limit its coming in so that it would be shut out of certain areas. If it came in, for instance, where there was not any beet sugar, it would travel, just the same.

Q. But that situation did exist for some time, with respect to Cuban refined coming into non-beet areas in Canada?

A. Not to any extent; the only place where it came in was Newfoundland."

(Evidence, pp. 1004-12)

Mr. Crawford of St. Lawrence gave the following evidence in regard to purchases of Cuban raw sugar:

"Q. And what are the present arrangements with Cuba, if any?

A. Well, to get back to the earlier ones, we merely undertook to purchase a specified quantity of raw sugar. What are the current ones, you mean?

Q. Yes?

A. I had communications through Ottawa -- in any event the Cubans arrived in Montreal and I had a telephone call from them in which they said they wanted to see us and they came down to the office in December, about the middle of December I think it was, three representatives from Cuba. They said that they were very much interested in making a new contract with us for the purchase of approximately the same amount as we purchased from them before, ourselves, so we undertook to purchase 18,000 tons of Cuban raws in 1955. They told me that their representatives had been to Ottawa to talk this matter over and originally they were out to get a very much larger quantity, which was 125,000 tons from all the eastern refiners, but that the British had balked at the idea of 125,000 tons, and Ottawa had advised these gentlemen that the best thing for them to do was to go and interview the refineries

regarding a new contract. That is the report I got from the Cuban delegates. Now, I would like to show you this letter, which is only in confirmation. This is 1955 again.

Q. Do you want to put this letter in the record, Mr. Crawford?

A. You can."

(Evidence, pp. 1223-24)

The letter to which Mr. Crawford referred at this point of his evidence was written by Mr. W.F. Bull, Deputy Minister of Trade and Commerce, to Mr. Crawford on April 6, 1955 and reads as follows:

"I have your letter of March 28, in which you report that you have had offers of San Domingo sugar at prices above offers from Cuba, and I confirm the position taken during your visit to Ottawa, namely, that no one expects you to pay a premium for San Domingo sugars over the price you are paying for comparative Cuban raws.

As you know, a major interest of the Department of Trade and Commerce is to maintain our exports at the highest possible level. To this end we are concerned with restrictive tariffs, import controls, bilateral trading agreements or any other arrangement which adversely affects our competitive position in foreign markets. Our interest in sugar imports into Canada is very closely associated with our desire to sell Canadian goods in sugar -producing areas. We are interested in ensuring that all sellers of sugar to Canada, whether Cuban, San Domingan or Commonwealth, are given an equal opportunity to do business in Canada within our Customs Tariff structure. If San Domingan exporters offer sugar at prices comparable to Cuban prices they, naturally, will expect to get a share of this market.

We have not heard from Dr. Manuel Resumil Aragunde and Senor Salvador Ortiz since their return to the Dominican Republic, but we understand it is their intention to send a sugar selling mission to Canada to interview Canadian refiners. I would be grateful if you would receive this mission when it reaches Montreal."

(Exhibit 21)

Later in his evidence, Mr. Crawford said:

"Q. Was the arrangement for 1954 and for 1955 a joint arrangement among the three eastern refineries?

A. Well, the February 1954 arrangement was one which was signed by Mr. McGregor and myself and I believe on behalf of all of us. The British Columbia refineries did not sign. The September 19 agreement was signed again by Mr. McGregor and myself on behalf of the eastern refineries, I believe it was.

Q. What about the arrangements respecting 1956 and subsequent years?

A. 1956 and subsequent years. The substance of the question was that the present agreement to purchase 18, 000 tons of Cuban raws which they offered to us upon arrival in Montreal is an agreement that I made with their representatives in our office when they visited us for consultation after a conference on the matter.

Q. How does the quantity of 18, 000 tons compare with the quantities you have purchased in 1954 and 1955?

A. Approximately the same.

Q. Did you know at the time of entering negotiations or discussions with the Cuban group that this group was also in contact with Canada and Dominion and Acadia-Atlantic?

A. They did not tell me they were going to see anybody else. They merely mentioned they had been to Ottawa or their other representatives had been to Ottawa and were advised to come and see the refiners direct, which indicated all three refiners would be visited.

Q. Did you in fact know what arrangement they concluded with the other refiners, Canada and Dominion and Acadia-Atlantic?

A. I have no knowledge whatever of any arrangement being made with the others. They did not discuss the matter with me and I did not ask any information.

Q. Was there any discussion of the exclusion of refined Cuban sugar from the Canadian market?

A. No, it was never discussed, the question of refined did not arise.

Q. What is the cost to your firm of Cuban raw sugar in comparison to other raw sugars which are available to you?

A. It varies a great deal depending on the spot market and offerings made by the commonwealth countries. It is a situation which is very flexible. It could be 15 cents, it could be 5 cents. In recent times it has been nothing over the commonwealth prices. They have been equal.

. . .

Q. For the record, what do you say about any understanding to keep the Cuban refined out of the market at the present time?

A. There is none. As a matter of fact the market is wide open to all types of foreign refined, and last year, all of last year and part of the previous year, I believe, Mexican sugar entered this market as freely as it were sold. And the same position obtains today.

Q. What about Cuban refined ?

A. The same. We have no arrangement with the Cuban Institute.

Q. Is the position then that you are buying Cuban sugar because it is cheaper?

A. Because of Mr. Bull.

Q. Mr. Bull's letter states the Department has certain interests and asks you to receive the delegation?

A. He also says it would be the wise thing to buy general tariff sugars or any sugars offered in a competitive market."

(Evidence, pp. 1225-29)

It will be seen from Table 10 that during 1955, 1956, 1957 and 1958 no imports of refined sugar entered Canada from Cuba. Imports from Mexico were first made in 1955 and after declining in 1956 increased in 1957 almost to the level which imports of Cuban refined sugar had reached in 1952.

CHAPTER V

PRICES OF REFINED SUGAR IN EASTERN CANADA

1. Price Structure of Refined Sugar in Eastern Canada

For a great many years it has been the practice in the sugar industry in Eastern Canada to use a price structure for the various qualities of sugar sold which is based on what is known as the basis price of sugar at the refinery. The general features of the price structure are described in the Statement of Evidence as follows:

"215. Each of the three eastern refiners provides sugar in a number of different forms and in a number of different packages. Any one of the published price lists of any of the eastern refiners shows about 24 different prices covering the different types of sugar and varieties of packages offered. C. & D.'s price list of March 24, 1952, for the company's cane sugars is an example (AOG 959, 15260). At any one time there is one price on such a price list that is known as the basis price. Thus, on March 24, 1952, the basis price was $9.65 per 100 lbs. of medium, fine or special fine granulated sugar, packed in cotton bags, f.o.b. refinery door, Montreal, Quebec [1]. Sugar of other types and in other kinds of package had different prices and the differences were known as differentials. Differentials ordinarily remained unchanged at the time of a change in the basis price. When the basis price was changed it was understood unless specifically stated otherwise that all the other prices listed were concurrently changed in the same amount.

---

[1] On January 12, 1953 the basis price became the f.o.b. refinery price in Montreal for 100 lb. of granulated sugar in paper bags.

216. The basis price applies at the refinery door of a refinery at a basing point and is ordinarily subject to a discount.[1] In the period since January 1, 1931, there have been three basing points in Eastern Canada and one in the west, at Vancouver, B.C. The eastern basing points are at Saint John, N.B., and Montreal and until July, 1955 Halifax, N.S. was also one. (Reply to Questionnaire)

217. Sugar is sold in eastern Canada at the basis price (also sometimes referred to as the base price) plus freight and, where applicable, cartage or f.o.b. refinery door. A more complete treatment of this subject will be found later in this Statement.

218. The eastern refiners sell to three main classes of customer and these are wholesalers, manufacturers and chain stores. Table XIII [Table 13 in this report] shows the volume of sales made by each of the refiners in 1950 and 1954 to these principal classes of customer. The table would seem to illustrate a growth in relative importance, as sugar buyers, of manufacturers and chain stores against wholesalers and of manufacturers against chain and wholesalers. Mr. Seidensticker mentioned this latter shift when he gave evidence:-

> '. . . where formerly distribution was perhaps 75 per cent grocery and 25 per cent manufacturing -- it is now, with acceleration, approaching 50/50 . . .'
>
> (Evidence, p. 1015)

219. There are also some miscellaneous direct sale customers such as certain public organizations and institutions, large hotels and railways. Each refinery is represented in the principal trading centers of the areas in which it sells by a branch sales office or a commission agent. The rates of commission allowed by the refineries to these agents are not standardized as between agents acting for the same company or as between agents in the same place acting for the different refineries (Returns, Question 20 (c))."

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[1] The discount was 5 per cent both before and after the period of wartime price controls, but for some time during that period was fixed in amount, and was less than 5 per cent.

Table 13

Eastern Refiners' Sales to Principal
Classes of Customer, 1950 and 1954

(pounds)

Year	Refinery	Wholesalers	%	Chain Stores	%	Manufacturers	%	Total	%
1950	Acadia-Atlantic	212,350,765	55.88	38,161,090	10.04	129,490,460	34.08	380,002,315	100.00
	C. & D.	192,376,231	42.07	38,521,941	8.42	214,683,974	46.95	457,278,327[1]	97.44[1]
	St. Lawrence	104,746,700	42.72	27,871,000	11.37	112,560,400	45.91	245,178,100	100.00
	Total	509,473,696	47.07	104,554,031	9.66	456,734,834	42.19	1,082,458,742	98.92
1954	Acadia-Atlantic	190,231,961	48.45	39,453,008	10.05	162,966,801	41.50	392,651,770	100.00
	C. & D.	167,287,414	35.45	66,850,822	14.16	224,420,556	47.55	471,950,733[2]	97.16[2]
	St. Lawrence	99,327,400	41.09	30,338,800	12.55	112,069,500	46.36	241,735,700	100.00
	Total	456,846,775	41.29	136,642,630	12.35	499,456,857	45.15	1,106,338,203	98.79

1 Total includes beet sugar sales and 11,696,181 lb. of sales not included in the classifications shown.

2 Total includes beet sugar sales and 13,391,941 lb. of sales not included in the classifications shown. Sales shown are for period April 1, 1954 to March 31, 1955.

It will be seen from Table 13 that for the Eastern Canadian sugar refining industry the proportion of business done with wholesalers declined between 1950 and 1954, while the proportions with manufacturers and chain stores increased. A statement filed on behalf of Acadia-Atlantic shows that the same trend tended to persist in later years. In the case of this company the following proportions were shown for the years 1954 to 1957:

	Wholesalers	Manufacturers	Chain Stores
	per cent	per cent	per cent
1954	48.45	41.50	10.05
1955	47.06	43.00	9.94
1956	45.97	44.66	9.37
1957	44.76	44.91	10.33

(Exhibit H-3)

A table which was included in the Statement of Evidence giving a record of basis prices as shown by the documentary evidence and by the returns of information will be found in the Appendix (Table IV). Included in this table is a record of the basis price of sugar at Vancouver, B.C. as it prevailed at various times during the period February 8, 1950 to May 18, 1955. Throughout this period the Vancouver price applied on paper bags of 100 lb. so that in relating the Vancouver price to the Montreal price the differential of 15 cents per 100 lb. between paper and cotton bags should be kept in mind up to January 12, 1953 when the basis of quotation in Eastern Canada changed to paper bags.

The manner in which package differentials and trade discounts have been applied is further described in the following paragraph of the Statement of Evidence:

> "381. As has already been mentioned each of the eastern refiners sells sugar in a number of differing packages and in a number of different forms. At the time of a price change each refiner puts out a new cane sugar price list which is given wide distribution and on these lists the various packages and sugars offered are listed along with the prices for them at the refinery location named. Prior to January 15, 1957 these prices were subject to 5 per cent discount to recognized customers, the most of whom are wholesalers or manufacturers. On January 15, 1957, the discount was reduced to 1 per cent. Each such list shows a 'basis' price for 100 lbs. of sugar. In Eastern Canada the basis price has applied on paper bags since January 12, 1953. Prior to that it applied on 100 lb.

bags of cotton. The difference between the basis price and any other price on the list is known as a 'differential'. When there is a price change it is made in terms of the basis price and if there is at the same time no change in the differentials the whole list of prices moved up or down, as the case may be, in unison with the basis price. During the period of January 1, 1950 to January, 1955 the differentials being charged by the three refineries on comparable grades or packages were, with one possible exception which lasted for only a short while, apparently identical. All the price lists cited in Table XVII [Table IV in Appendix to this report] have these general characteristics."

Some further particulars of the scale of regular discounts and the terms of sale are contained in the following portions of the Statement of Evidence:

"796. Each of the three refiners reported that to its customers it gave a 5% discount. Acadia-Atlantic and St. Lawrence said this was limited to sales of over 2,500 lbs. and 3% allowed on sales of less than 2,500 lbs. Although it was not shown in C. & D.'s reply to question 8(a) the company gave only 3% discount on sales of less than 2,500 lbs. (Evidence p. 1378B). Acadia-Atlantic and C. & D. reported their customers were of three classes, these being manufacturers, wholesalers and chain stores and the evidence as a whole would indicate that there was no significant difference in St. Lawrence's position in this respect.

797. The principal difference shown in the replies, and it seems to have been a relatively unimportant one, had to do with allowances made for cash payment. In this respect Acadia-Atlantic's reply was as follows:-

'Should Wholesale Grocers, Chain Stores and Manufacturers elect to pay cash instead of at the end of eleven or eighteen days, as the case may be, interest at the rate of 3% per annum is allowed. (Terms of 18 days are available on direct car shipments from Saint John, N.B. to Quebec and Ontario points because of the longer transit time required.)'

In so far as this item was concerned, St. Lawrence said:-

'Regular payment terms are 14 days. Customers paying cash are granted a discount at 3% per annum for 14 days.'

798. C. & D. did not report that any such discount was given but the evidence indicates that its policy was the same as St. Lawrence's in this respect. W. H. Punchard, treasurer of C. & D. said in evidence that he knew of such a discount but not of its particulars (Evidence pp. 397-8). A letter on June 26, 1950 by F. G. Riseboro of C. & D. to G. M. Russell said:-

> '. . . I wonder from this, if the Coco-Cola Co. are not receiving some concession from Lantic. We do know that they receive a 21-day 3% interest allowance instead of 14 days which they receive from us. . .'
>
> (ANJ 221, 6791)

799. It would seem from the foregoing that the differences as between Acadia- Atlantic and the other two refiners on the 3% prepayment discount was [sic] directly related to the longer time after ordering that it took for sugar to be delivered to Ontario and Quebec points from Saint John, N.B., as contrasted with delivery from Montreal, Chatham or Wallaceburg.

800. In evidence W. A. Thompson of Atlantic-Acadia Sugar Sales said that customers to get 3% interest allowance should pay on receipt of their invoice. He went on to say that there was only a small percentage of customers that did this (Evidence p. 832)."

2. Changes in Price Structure in 1957.

In March, 1957 the Director sent requests for additional information to the three eastern refiners and information secured in this way was included in the Statement of Evidence. Changes in the price structure of each company subsequent to 1955 are summarized in the Statement of Evidence as follows:

"A. Acadia-Atlantic Sugar Refineries Limited and Subsidiaries:

Previous to January 15, 1957, the company allowed buyers of direct car shipments in Quebec and Ontario who paid cash an allowance of 3% per annum for 18 days. Maritime buyers who paid cash were given the 3% per annum allowance for 11 days. Ordinary terms, without this allowance, called for payment in 18 or 11 days respectively. As from January 15, 1957, this allowance was withdrawn and a cash discount of

1% 15 days was established. If advantage of these terms is not taken the customer is given 30-day terms.

The company discontinued the 5% Trade Discount as from January 15, 1957.

The company continued to allow concessions in price to certain customers with these allowances being along the lines of those being given prior to January 24, 1955.

. . .

Freight rates payable on shipments of sugar by rail from Saint John, N.B., to points in Quebec and Ontario are affected by the Maritime Freight Rates Act. Under an amendment to that Act which became effective on July 1, 1957 Acadia-Atlantic's position on shipments to three cities, Kingston, London and Windsor, as compared with that of the Montreal refineries improved to the point that it could even ship sugar at a cheaper rail rate to them than could the Montreal refiners. In these particular cases the minimum car-loading from Saint John is 100, 000 lbs. while to get the best available rail rate the Montreal refiners are only required to ship 30, 000 lbs. For carloads of 80, 000 lbs. Acadia-Atlantic would get the same rates to these three cities as would the Montreal refineries on 30, 000 lb. cars. Other places to which a reduction in freight rates applied on shipments of 100, 000 or 80, 000 lb. cars from Saint John, N.B. were Hamilton, Montreal, Ottawa, Quebec City and Toronto.

. . .

B. Canada and Dominion Sugar Company Limited:

With effect from January 15, 1957, this company cancelled its Trade Discount of 5% and in lieu thereof instituted a cash discount of 1% 15 days. Otherwise prices quoted were to be net 30 days.

With effect from June 1, 1956, this company instituted a quantity discount schedule based on annual purchases. This discount was available to wholesale customers but the requirements for annual purchases were so large as to raise some question as to whether more than one customer of the company could take advantage of it .

C. St.Lawrence Sugar Refiners Limited:

On January 15, 1957, this company withdrew its 5% Trade Discount and instituted terms of 1% 15 days, net 30 days.

Whereas before November 15, 1956, the three refiners at the close of each business day from January 1, 1950, almost always were quoting the same basis price this was not the case in anywhere near the same degree from November 15, 1956, to March 1957. Movements in their basis price as made by the three refiners in this period have been set out in Table XVII [Table IV in the Appendix to this report]. This table shows that during this period C. & D. and Acadia-Atlantic generally had the same basis price at the end of each business day. This was not the case with St. Lawrence. Thus from November 26, 1956, to January 30, 1957, its published base price was not at the close of any business day the same as that being quoted by either of the other refiners.

While the price lists show that the different refiners had different basis prices in effect from time to time during the period November 15, 1956, to March 1957 they do not necessarily show the whole picture. Thus, the St. Lawrence return of information included the following:-

> 'When the sugar market became so erratic with numerous price changes, both up and down, our policy was to accept orders at price ruling at time of shipment.
>
> Toronto agent reported to us late last year and periodically since then that competitors were giving about one week's price protection against advance with benefit of decline up to time of delivery. On January 11, 1957, he wrote that four Toronto customers had advised him that both our competitors were taking orders at firm prices for five day advanced delivery, also benefit of decline for five days. It was his opinion that this was the way in which competitors were meeting our lower prices. There were times when our prices were as much as 60¢ under competitor's. He reported we were losing a great deal of business in view of our not giving the same protection as competitors. Other agents reported protection of this kind also, by telephone.
>
> . . .
>
> On March 5, 1957, Toronto agent reported that buyers had told him they had received a call first

from Canada and Dominion Sugar and later from Atlantic Sugar to say that although their price had increased 50 cents, they would accept cars for delivery the next week at the old price. This move on the part of competitors obviously is taken with the object of counteracting the effect of our refusal to follow their price advances. Because of the very wide difference in the two prices then existing, we found it necessary to place restrictions on customers withdrawals, so that we could protect our inventory for their own future requirements.

Any benefits which customers enjoy in the way of bookings from our competitors would appear to be attributable to our action in declining to follow their price advances immediately or to the full extent. It may be assumed if it were not for the delay in our following these price advances the customers would have had to pay full price for their sugar. It now appears that we lose considerable business by keeping prices down because of the changed tactics of our competitors.

We recently learned from some of our larger accounts in Montreal that the reason we are not receiving business was due to a competitor selling them 800-1000 bag cars at a firm price when the market is strong and advancing. Customers can buy a carload for shipment ex St.John with guarantee until arrival of car, usually five days.

We have since met this competition.'

. . ."

3. Evidence of Witnesses as to Changes in Refiners' List Prices

With reference to the record of price changes which was given in the Statement of Evidence and which is reproduced in the Appendix to this report the Director stated:

"291. The foregoing record shows that the Eastern refiners basis prices were generally the same and with three exceptions were the same at the end of every business day in the period following the removal of controls on December 27, 1949, until this inquiry started in early 1955."

The record of price changes is not in dispute. The point at issue was stated by counsel for Acadia-Atlantic as follows:

> ". . . What I say rather is that the question which we have to resolve here is whether or not the Montreal basis price was established from time to time by agreement among the eastern refiners or resulted from action by one of the refiners, followed by the others. In essence that seems to be the form in which our inquiry and study should be undertaken. . . ."
>
> (Hearing, pp. 1037-38)

We may first consider explanations given in evidence by senior officers of the respective companies as to the manner in which changes in prices come about and then review the evidence as to particular changes in prices. In so doing we shall not attempt to include all the evidence relating to price changes, as it is very extensive, but shall deal with the material which is considered to bear most directly on the point at issue.

It was generally admitted that the evidence established clearly that the decision as to a price change was made at the highest level in each company. The effect of the evidence was expressed in the Statement of Evidence as follows:

> "510. The authority to change the basis price whether by initiating a change or following one already announced was limited in two companies to one person for each and in the other to two persons. In Acadia-Atlantic the authority to make a price change was held by L. J. Seidensticker. (W.A. Thompson, Evidence p. 6913, L.J. Seidensticker, Evidence p. 880, pp. 910-1). W.J. McGregor was the only person in C. & D. who authorized or instructed that changes be made in the company's Montreal basis price (G. Russell, Evidence p. 154; W.J. McGregor, Evidence p. 478). That Mr. Crawford ordinarily was the only person in his company to authorize price changes is implicit in his evidence, although it would seem that J.W. McConnell also had authority in this respect if he chose to use it."

Mr. McGregor of C. & D. gave the following evidence in regard to setting prices of refined sugar:

> "Q. What considerations, generally speaking, guide you in setting your selling price for refined sugar?
>
> A. List price -- the market, the market trend -- if I find the market going up steadily and the trend looks sound to us.

Q. By 'market', what do you mean?

A. The price of raw sugar -- that would get me thinking about making an advance possibly in the price of refined sugar.

Q. Do you find that your prices and those of your competitors tend to be the same?

A. Well, in a commodity like sugar it would -- I don't see how they could be anything else.

Q. Does that fact influence you in considering a change in your prices?

A. No, I am thinking about Canada and Dominion.

Q. Is it possible for Canada and Dominion to advance its price, for instance, and maintain the advanced price unless the other refiners follow?

A. If the market is strong, yes, I will do it.

Q. How does that tie in? I thought you said a moment ago that with a commodity such as sugar the prices tended necessarily to be the same?

A. Well, as soon as they found out that we had advanced, they would naturally follow on a basic commodity like sugar -- it is the same thing the world over.

Q. Do you feel then you can make any advance and the others are likely to follow?

A. I don't think my ideas would be much different from theirs on an advance because they have access to raw sugar prices just as I have, and at times we have exchanged views with them.

Q. Would you just expand on that when you say you have exchanged views? Just what do you mean by that?

A. Well, I have talked with them about the trend of the raw sugar market and expressed myself that I am considering an advance -- I suppose I have said it that way -- I don't know.

Q. Have you ever discussed the amount of an advance with your competitors?

A. I may have said I am considering making an advance -- yes, I suppose I have, because they have the same cost of raw sugar as I have and they know how much the market would warrant an advance.

Q. Just to get off on something there, you say they have the same cost of raw sugar. Is that necessarily so?

A. They are aware of the price of raw sugar -- let us put it that way -- every day the same, I assume, it is reported to every refiner each morning at the opening from the raw sugar brokers as to what the price of raw sugar opened at, the trend and that kind of thing.

Q. But the actual cost to them of the raw sugar may have been different than the cost to you of the raw sugar you are using?

A. There may be a little, but there has not been any drastic change except in prices -- it follows a pretty even pattern -- the refiners are in the refining business, not in the speculative, and we buy pretty close to what we are doing -- there is no speculation in our companies, our manner of buying.

. . .

Q. Do you normally have advance knowledge of what one or more of your competitors are likely to do in respect to price?

A. The only knowledge I would have is similar to what I may express to them, that we might comment on the strength of the market and one of [us] say that the market is shaping up for an advance, and another thing, I might say that the number of customers who want to book sugar for thirty days' requirements is becoming rather pressing, which indicates that the customer more or less has faith in the market for an advance.

Q. The customer is getting suspicious that an advance is likely to come?

A. Yes -- in fact, you hear through your agents that there is an advance on, when there is no advance at all -- they make it up out of whole cloth.

Q. When other companies, St. Lawrence or Acadia-Atlantic

have led off in an advance, have you usually known such an advance was going to take place?

A. I have known that they intended to advance on occasion -- on other occasions I did not -- or decline.

Q. And when you did know, would you advise members of your staff in advance of the actual change?

A. If I knew for a fact, if they said they were advancing their price, I would tell them to watch because I wanted to be sure there was an advance, that it had actually occurred."

(Evidence, pp. 479-84)

The evidence of Mr. Seidensticker of Acadia-Atlantic contains the following:

"Q. Who makes the final decision as to a price change in your company?

A. I do.

Q. And, having made the decision -- or, let me put it this way -- how far in advance of the actual change do you make your decision?

A. Oh, I do not know that I can say. This is a matter entirely of internal and interior discussion. Mr. Thompson, and also those who are directly associated with the discussions on the raw sugar market, which is the prevailing element -- and the final decision as to the probability and expectancy in the way of advance might be pretty well established a day or two days before. And yet, you will still watch and wait before you finally put it into its eventual process.

Q. When you finally do this, having made your firm decision, how long does it take you to implement it?

A. That is in the hands of the sales department. My function, having made a decision as far as elemental features are concerned -- it rests with the sales department.

Q. Having made your decision, do you release it immediately?

A. That, too, would be a question of judgment by the sales department, as to the best time to let the matter go out.

Q. What I am trying to establish is this: does a situation like this arise, where you may decide to-day to raise your price next week?

A. It might -- no, I would not say that. You might decide on Friday, perhaps, that you would put your price up on Monday morning, or something like that.

Q. That would be as far as it would go?

A. Yes, I would think so.

SENATOR HAYDEN: Possibly one or two days, he said.

THE WITNESS: That would be over the weekend."

(Evidence, pp. 880-82)

Again:

"Q. Speaking generally, how does it happen that the advances are the same? Does one company follow another?

A. Yes; they have to. There is nothing singular or peculiar about that. If you refer to Willett & Gray in the United States, you will find an identical situation. It is a matter that is dictated, it seems to me. That is to say, if there is an advance, then you have to follow.

Q. You cannot have two prices in the market?

A. No, you cannot have two prices in the market.

Q. Does the fact that Canada and Dominion and Acadia-Atlantic advanced 70 cents -- that each of them advanced 70 cents -- indicate that one was following the other?

A. It would need to. If Canada and Dominion or St. Lawrence had decided that an advance of 70 cents was insufficient, and that it ought to be 90 cents, they would have advanced 90 cents, and ourselves, then, would have had no choice except to have gone up another 20 cents.

Q. Have you ever known of that situation happening?

A. I do not recall it, but I think that would be largely because of the fact that all of our individual, separate minds, acting on these same assumptions, come fairly well -- whoever makes the first selection, the others presumably or, as we have done in the past when the others have gone up in advance of us, I think what has influenced us to follow them has been that our reflections have been relatively the same, relatively of the same nature."

(Evidence, pp. 902-03)

And again:

"MR. MacLEOD: The effect of the evidence appears to be that Mr. Seidensticker would have to follow any advance made by his competitors.

BY MR. MacLEOD:

Q. Is that the correct interpretation of your evidence?

A. Yes, I think so. If they put the price -- they would not put it up, except under those same conditions that would be, in turn, influencing us in our recognition of the facts that govern them. It seems to me that whatever is done of that nature ---

Q. But are there not two separate aspects to the question? There is the question of the price of raw sugar, and the question of how your purchaser will react -- your purchaser and their purchaser. Are not the two things entirely distinct?

A. I do not understand you, I am afraid. What influences the refined sugar is the raw sugar price. There is 75 per cent of your cost, right in your raw sugar.

Q. Yes?

A. And in evaluating the increase in the cost of raw sugar, minds work quite independently, but arrive at reasonably the same figure. So somebody takes the first step; and, in general, I would be in agreement with that."

(Evidence, pp. 906-07)

The evidence establishes that on occasion there would be exchange of views by conversations between the principal officers

of the three eastern refiners or at meetings, but the persons giving evidence denied that the setting of the price of refined sugar was the subject of such conversations or meetings. It was said that views were exchanged as to developments in connection with raw sugar or as to conditions in the markets for sugar, including such situations as the importations of Cuban refined sugar. The following portions of the evidence of Mr. Seidensticker of Acadia-Atlantic relate to the nature of such discussions:

> "Q. Have you on any occasion, at such meetings, disclosed to your competitors what you proposed to do about refined sugar prices?
>
> A. No.
>
> Q. Have your competitors, on any occasion, disclosed that to you?
>
> A. No.
>
> Q. Have you ever discussed refined prices, in any way with your competitors?
>
> A. Oh, I would not want to say that. I would say very definitely that refined sugar would be perhaps discussed in some fashion -- not as a matter of actual pricing, or anything of that kind -- but as to what the prospects were with respect to it, arising from the raw sugar."
>
> (Evidence, pp. 933-34)
>
> "Q. We touched on this question of meeting before. Have there been meetings to discuss the purchases of raw sugar apart from those of central agency?
>
> A. Well, yes, there have been meetings on the broad questions of what there has been in the raw sugar market that might lend itself for a general discussion.
>
> Q. How often have such meetings been held?
>
> A. Very infrequently.
>
> Q. Were such meetings held apart from those of central agency during the period when central agency was functioning
>
> A. No.

Q. Were there any discussions, say by telephone, between yourself and Mr. McGregor, yourself and Mr. Crawford, when central agency was functioning? Were there discussions independent of the formal discussion periods within the framework of central agency?

A. I would not want to say there were not, but I cannot recall if there were. If there were they were not such as established themselves in my memory at all.

Q. What circumstances, generally speaking, would call for the meeting or discussion of the raw sugar situation? For example, I presume there were discussions about the time of the Korean war?

A. O yes, anything of that sort, and what there might be, as I say, in the market itself which would lend itself to discussion. Occasionally it would be, what do you think and how do you look at this and something of that sort.

Q. Discussions of what the trend might be?

A. Of trying to evolve something of what there was in the market from its appearances.

Q. I think you said a few moments ago that margin was a convenient index for use in discussion. Would the margin arise, either the present or the likely future margin, refiner's margin, arise in any of your discussions about raw sugars?

A. No."

(Evidence, pp. 1286-88)

"Q. Would there be any discussion arising out of the fact that prices of raws were changing to the fact that because the prices of raws had changed so much the prices of refined would have to be changed so much?

A. No. Nothing of that immediate nature. I think very likely there would be something discussed which would be if the raws were moving up naturally the refined would move up. That would not enter into the discussion with respect to the raw sugar of what was to be done then and there.

Q. In any such discussions about raws have you on any

occasion indicated what your firm was going to do about refined prices?

A. No, I would not recall.

Q. Have you ever been advised by any of the other refiners what they were going to do about their refined prices?

A. No, I would not recall anything of that sort."

(Evidence, p. 1289)

Mr. Crawford of St. Lawrence gave the following evidence in regard to conversations with Mr. McGregor of C. & D.:

"Q. In conversations which you would have with him would you mention the price of refined sugar at all?

A. He might mention it to me. We were not interested very much. He might mention it to me and possibly say 'I am going to do this on the price of refined tomorrow' and I would be passing on information. Whether or not we would follow or bother with it is a matter that was decided elsewhere.

Q. Why do you say you were not very much interested?

A. We are not interested in what they are thinking of doing, we are only interested in what they actually do and if they decide to change their price then that is the time we will take action.

Q. Action to follow it?

A. Yes, maintaining our position in the market."

(Evidence, pp. 1179-80)

The following appears in the evidence of Mr. McGregor of C. & D.:

"Q. This is also a document from the files of St. Lawrence, 9618, ANH 370. It is a memorandum from Mr. Crawford to Mr. McConnell, and it says:

> 'Mr. McGregor would like to make an appointment with you for Wednesday, October 7, if this is satisfactory. If so, would you care to name a time?'

The record indicates that there was a price change on October 9, where it was sent out late on October 8. Do you recall having discussions with Mr. Crawford or Mr. McConnell immediately prior to price changes?

A. I may have -- as I said yesterday, I may have had discussions giving my views, getting theirs.

Q. Do you recall specifically any such discussions having taken place immediately prior to price changes?

A. No, I cannot remember -- we have not had a price change in so long.

Q. Did you on occasion telephone Mr. Crawford or Mr. McConnell, or did they telephone you?

A. It has worked both ways -- they have expressed their ideas on the telephone -- so have I.

Q. Have you discussed selling prices of refined sugar in such conversations?

A. You mean the list price?

Q. Yes, whether the list price should be advanced or reduced?

A. I have expressed what I felt that our company might do.

Q. Do you recall if any of those telephone calls have been immediately prior to a price change?

A. I cannot tell you exactly that, no -- it is possible .

Q. Do you recall any such telephone calls for the purpose of getting information in connection with a price change?

A. I have telephoned, if I was not there, expressing my views on the market because I would not bother calling unless I thought the market warranted a change one way or the other.

. . .

Q. Have you attended any meetings of representatives of the three refiners in Mr. Seidensticker's office?

A. I have been there when Mr. Crawford and Mr. Seidensticker were there, yes.

Q. For what purpose were such meetings held?

A. Various reasons -- some were about the 15 cents allowance of the preference, and I have been there for central agency meetings and in connection with freight rates, I believe -- I cannot just recall what they were.

Q. Did any discussions about the selling price of refined sugar take place at such meetings, do you recall?

A. It is possible we exchanged views if the market warranted it one way or the other -- you just generally discuss what the prices of raw sugars are, probably nothing to do with the refined price.

Q. Did Mr. Russell or Mr. Coyle have general authority to attend meetings at Mr. Seidensticker's office?

A. For certain things they were there, certain matters, central agency -- Russell was the secretary of it, I believe.

Q. I am thinking more generally . Did they have authority from you to take part in discussions with other refiners generally?

A. On what subject?

Q. Cuban competition?

A. They may have discussed Cuban competition -- I would not object.

Q. Selling prices of refined sugar

A. On the list price?

Q. Yes?

A. No, I run that -- from our point of view, Canada and Dominion, I run that.

Q. Have you ever had a report, either from Mr. Russell or Mr. Coyle passing on views expressed on list prices by Mr. Seidensticker or Mr. McConnell?

A. I may have -- I would not want to say I had -- it would not be frequently, I think."

(Evidence, pp. 533-36)

"Q. I gather from what you have said already in evidence that the top men in the other two companies as far as you are concerned are Mr. J.W. McConnell and Mr. Seidensticker?

A. Yes, I would say so.

Q. Have there been any occasions on which those three named persons have met together and discussed list prices?

A. I cannot ever recall those three people named doing it.

Q. Have there been occasions on which your company has made either a price decline or advance without any discussion with the other companies at all?

A. There has been.

Q. And have there been advances or declines by the other companies without any previous discussion with you?

A. There has been.

Q. Have there been occasions on which you have made a price advance or decline after discussion with only one of the other two companies?

A. Yes, I am quite sure of that.

Q. I think you have already said there have been some occasions on which there has been an exchange of views with both the companies prior to an advance or a decline?

A. That is right."

(Evidence, pp. 547-48)

4. Manner in Which Changes in Prices Made

The first change in the price of refined sugar made by eastern refiners, following the removal of emergency price controls over sugar in December, 1949, occurred in July, 1950 after the outbreak of the Korean War. At the time controls over raw sugar costs and refined sugar prices were removed the Canadian Sugar Stabilization Corporation authorized an increase in the basis price from $8 15 to $8.65 per 100 lb. but required the refiners to remit 32½ cents per 100 lb. on all sales until raw sugar on which the price had been guaranteed had been exhausted (AND 1738E, 4190). Acadia-Atlantic had apparently liquidated its price-guaranteed raw sugars at the beginning of January, 1950, while the Montreal refiners were still using such raws and subject to control on their margins in selling the refined sugar. As already indicated, a change in list price was not made until July, 1950. In the meantime the eastern refiners had established the Central Agency which, as already described, bought sugar to meet the requirements of the three eastern refiners from March, 1950 until October, 1952. During this period the costs of raw sugar were averaged for the three refiners, with the exception that Acadia-Atlantic was charged 3 cents less per 100 lb. than the other two because shipping costs to Saint John were less than to Montreal.

While the Central Agency was in existence senior officers of the three sugar companies necessarily met or consulted with each other in other ways to direct the raw sugar buying operations of the Central Agency. The exchange of views during this period and at other times, as the evidence quoted above indicates, embraced market conditions affecting refined sugar in Canada and elsewhere.

It appears to have been anticipated by Mr. McGregor of C. & D. that there would be an exchange of views among the three refiners before a change in list prices was made. On March 28, 1950 he wrote the following memorandum to Mr. W. H. Punchard of C. & D.:

> "I wish you would get a comparison of the refining costs at Montreal for 1949 and 1948. The official spread has been $1.95 based on $5.94 duty-paid raws so we must keep a close tab on our refining costs so that we will be in position to know how much we should advance the price after we start refining on the arrival of the new raws at opening navigation.
>
> We ought to get all this ready so we can act quickly because I may have to take it up with Mr. McConnell."
>
> (AOG 2272, 11244)

Mr. McGregor's evidence in regard to this memorandum contained the following:

"A. Yes -- my thought would be there that I would discuss it with Mr. McConnell, the trend of the raw market when we are buying on our own -- I would discuss it probably with L.J. Seidensticker in expressing my views -- it is probably worded badly there, but that would be my intention.

Q. The whole point of the discussion seems to be to determine the extent of an advance in price, that would be the price of refined. You say, 'so that we will be in a position to know how much we should advance the price.'

A. It is the margin they speak of -- the official spread is $1.95, based on $5.94 -- that is in 1950 -- that does not sound right -- in December, 1949, the last sugar we bought from the sugar administrator, the spread was $2.06 -- I cannot understand where the $1.95 comes from.

Q. That was just on the very last sugar you bought, was it not?

A. We were bringing in by rail enough to do us until the opening of navigation -- we were buying our own then.

Q. Was not the official spread $1.95 up until --?

A. It was $2.06.

Q. Was not the $2.06 put in at the very last minute of 1949 and it applies to the last shipments only? Prior to December, 1949, it had been $1.95, had it not?

A. I cannot remember -- the only thing I can remember is that the last sugar we bought to carry us through until the opening of navigation, it was $2.06 -- that is the last I can remember -- I cannot understand why the $1.95 is talked about in March, 1950.

Q. In any event, this appears to indicate you were to discuss refining costs?

A. No, not refining costs -- the thing I would discuss is the spread on sugar and the trend of the market with the idea I might exchange views with Mr. McConnell on what I had

in mind for an advance in sugar, not refining costs."

(Evidence, pp. 498-99)

Until the outbreak of the Korean War on June 25, 1950 the world sugar price was declining, falling from an average of $4.62 per 100 lb. in January, 1950 to $4.21 in June. After the outbreak of hostilities the world price of raw sugar rose very rapidly, reaching a high of $5.90 on July 31 and continuing about this level until the middle of November when a decline began leading to a low of $5.30 on November 30. The sharp rise in the price of raw sugar was due to pressure of demand on that portion of the world's production which was not sold under the marketing arrangements referred to earlier. It was accompanied by a scramble for supplies on the part of sugar users in Canada who sought to guard against possible shortages and to anticipate further increases in prices. The first price changes made by eastern refiners in the post-control period were occasioned by the sharp upward surge in world sugar prices and during a period when there was frequent consultation among the senior officers about arranging for supplies of raw sugar. The price of refined sugar in Eastern Canada was advanced 15 cents per 100 lb. effective the opening of business on July 6, 1950. The Statement of Evidence gives the following review of the evidence in regard to this change in price:

"472. On July 5, 1950 each of the three eastern refineries sent out advice to its sales representatives that effective the opening of business on July 6 the Montreal basis price was increased by 15 cents. The messages were apparently sent late in the day (AOI 451, 10726; AND 1716A, 4347-9; ANJ 157, 6792).

473. Mr. W. A. Thompson, Sales Manager of Atlantic-Acadia Sugar Sales was asked about this price change when he gave evidence. He said the notification would be sent out on the authority of Mr. Seidensticker, the President and the following is quoted:

'Q. Do you know if, possibly, price changes were discussed with officials of competitor companies?

A. Well, during the Korean war, it might have been -- there is the possibility that it may have been discussed. The market conditions leading up to it may have been discussed; because those were very hectic days. The raw market was going ahead by leaps and bounds. The demand for sugar was greatly accelerated.'

(Evidence p. 680)

The following is quoted from evidence given by Mr. Seidensticker:-

'Q. . . . Would that have been discussed among the refiners, that change? All three went into effect at 7 o'clock July 6, 1950?

A. It would be difficult for me to answer that, except to say that undoubtedly there would have been discussions with respect to the raw sugar situation. . .'

(Evidence p. 876)

Mr. Crawford also gave evidence on this price change:-

'Q. The records indicate that all three companies St. Lawrence, Acadia-Atlantic and Canada and Dominion increased the prices 15 cents at the opening of business?

A. All I can say if you ask me is that we got wind of it coming up the day before from the trade or something like that.

Q. Does that occasionally happen?

A. Oh, yes, very often. That is part of our business, the principal part, to find out what our competitors are doing. . .'

(Evidence pp. 1117-8)"

It will be seen from the record of price changes in the Appendix that the price of refined sugar was increased by 25 cents on July 18, 1950 and by the same amount again on July 27 as the price of raw sugar continued to rise. The increase in the price of refined sugar on July 27 was effective at 1.00 p.m. A memorandum of Mr. R. E. Miller of St. Lawrence is shown as being prepared at 11.00 a.m. on July 27 and includes the following:

"Spread calculated on Average cost of Raws Note: This was done effective 1 p.m. today 27 July REM [1]

Average Cost of Raw duty paid		Net Price Refined	Spread	Spread if Price Advance of 25¢ gross to net $8.835
To 26 July (include all bought by Sir Wm.Rook) total 366700 tons	$6.58	$8.60	$2.02	$2.255
Last Price paid	7.48	8.60	1.12	1.355
Current offer-quote	7.63	8.60	.97	1.205
Average if balance of requirements were to be purchased at latest quote	6.84	8.60	1.76	1.995"

[1] In handwriting.

(ANH 295A, 8640)

In his evidence Mr. Miller said that he would have prepared the material for Mr. Crawford. His evidence went on:

"Q. What is the purpose of the material?

A. To show the relative spread between the duty paid cost of the raw sugar and our own selling price.

Q. Are sheets such as those prepared very often?

A. Yes, not in perhaps great detail but there are a variety of purchases in there. Every once in a while we do this in any case just to see how our costs are running with the end prices of refined.

Q. How would you get the 25 cents for a working figure in the second series of calculations?

A. Oh, I would get that from Mr. Crawford, he would probably say, 'what would be the spread if the price of refined were 25 cents higher?' "

(Evidence, p. 1075)

It may be noted that in his memorandum Mr. Miller apparently included the total purchases of raw sugar (366, 700 tons) which had been made by the Central Agency for the three eastern refiners rather than the purchases for St. Lawrence alone. It will be recalled that under the Central Agency arrangement costs of raw sugar were to be averaged for the three refiners.

Also on July 27 the United States offered to buy the total remaining stocks of Cuban raw sugar, which were said to be about 600, 000 tons, and then to resell any amount in excess of United States needs on the world market at the United States cost. The eastern refiners gave consideration to the possibility of securing the balance of their requirements for 1950 from the raw sugar supplies being acquired by the United States. By the middle of August the requirements of the three eastern refiners were placed at about 65, 000 tons. The subsequent events are described in the Statement of Evidence:

> "483. Various efforts were made in and about the middle of August 1950 to get 65, 000 tons of raw sugar from the U.S. government at lower than the world market price. Some information on these proceedings is given in the Central Agency diary for August, 1950. For a time it was not possible to determine whether or not the efforts would be successful and on August 21, 27, 000 tons of raws were bought through Central Agency for Acadia-Atlantic and C. & D. at a price of $7.82 c.i.f. Montreal. St. Lawrence thought the price too high and did not participate in this purchase (ATJ 1158, 19408). A further 6, 000 tons for the same two refiners was bought at the same price on August 22 (ATJ 1156, 19410). On August 23, J.W. McConnell of St. Lawrence was assured by the Secretary of Agriculture of the United States that 56, 000 tons of sugar would be made available by the U.S. for Canada (ATJ 1152, 19414). C. & D. and Atlantic-Acadia were immediately informed of this (ATJ 1153, 19413). It seems that although by August 24 it was certain that the U.S. would provide a large quantity of sugar the final details had not been worked out (ATJ 1148, 19418). It was therefore the case that C. & D. and Atlantic-Acadia were committed on August 22, 23 and 24 for 33, 000 tons of raws at a higher cost than that for any in which St. Lawrence was participating.
>
> . . .
>
> 498. By September 5 it was known that the Eastern Canadian refiners were getting 48, 000 tons of raw sugar as a result of the release by the U.S. of some of its holdings and the price of this sugar was $5.40 per 100 lbs. F.O.B. Cuba

as compared with a cost of $5.90 F.O.B. Cuba on the 33,000 tons bought through Central Agency in the middle of August. In fact the U.S. released the sugar to the U.K. which then made raw sugar of Commonwealth origin available to Canada on the lower price basis. Orders for 16,000 tons of the 33,000 tons of higher priced raw sugars above referred to were cancelled (ATJ 1137, 19429).

499. The Central Agency diary for October 4, 1950 shows that raw sugar costs for St. Lawrence were to be at the same cost as to the other eastern refiners in this period. Thus the high cost of the 17,000 tons of raws bought at $5.90 was absorbed by the three eastern refiners in proportion to their over-all usage of raws as was the case on all other raw sugars bought through Central Agency (ATJ 1102, 19464)."

At the time the commitments for raw sugar were made on behalf of C. & D. and Acadia-Atlantic on August 22-24, Mr. McGregor of C. & D. was in Florida. On August 23 Mr. R.A. Eamer of C. & D. wrote to Mr. McGregor and said in his letter:

". . .

. . . At this moment I am awaiting word from Montreal with respect to the advance.

. . ."

(AOG 2609-10, 11381-82)

Although Mr. Eamer said in evidence that he could not recall what "advance" his letter referred to, it would appear that the reference was to an advance in the price of refined sugar. At this time a railway strike was in progress so that telegraph facilities were not available. On August 24 Mr. Eamer had talked by telephone with Mr. McGregor by 3.55 p.m. and at 5.02 p.m. Mr. Eamer sent the following teletype message to Mr. F.G. Riseboro, Toronto branch manager of C. & D.:

"EFFECTIVE OPENING BUSINESS TOMORROW OUR MONTREAL BASIS ADVANCES SEVENTY CENTS TO TEN DOLLARS. WE WILL NOT ACCEPT BOOKING AND ANY UN-SHIPPED ORDERS WILL BE AT NEW BASIS.

WE WILL BE UNABLE TO WIRE NATIONAL GROCERS BRANCHES TO PLEASE ADVISE MR BLAIN TO THIS EFFECT.

THIS IS NOT TO BE RELEASED BEFORE SEVEN P.M. TODAY."

(AOG 1456, 11384)

At 3.45 p.m. on August 24 the following statement was given to the Canadian Press by St. Lawrence:

". . .

Effective immediately, and until further notice, St. Lawrence Sugar Refineries Ltd., announce that because of transportation difficulties and the extraordinary demand, sugar will be allocated to customers in an equitable manner, according to ability to supply.

It may be assumed - - - that there are large quantities of unconsumed sugar throughout the country; for the reason that during the month of July alone, more than fifty million pounds were distributed by Eastern Refineries inexcess of deliveries during the same month last year. This clearly indicates either stock-piling or hoarding."

(AOI 440A-41B, 10774-75)

On the same day Mr. Crawford sent the following memorandum to Messrs. W. T. McLean and H.M. Smith of the sales staff of St. Lawrence:

"Both Canada and Dominion and Acadia-Atlantic are advancing price by 70 cents per 100 lbs. tomorrow morning, at the opening of business.

We are not following, and all future business will be subject to confirmation."

(AOI 439, 10773)

Because of the railway strike Acadia-Atlantic telephoned the company representatives on August 24 that the prices of refined sugar would advance 70 cents on August 25 but the documents do not show the time such information was given on August 24.

Mr. Punchard of C. & D. said in evidence:

"Q. Do you recall where the decision to advance 70 cents per hundred pounds was made; in Chatham or in Montreal?

A. Mr. McGregor was in Florida, and I discussed the markets with him and he told us to go up the 70 cents.

Q. Would you have advised any of the other refiners on receipt of the message from Mr. McGregor or instructions from Mr. McGregor that you were going up 70 cents?

A. Yes, I recall we did, told them both we were going up.

Q. Do you recall the timing?

A. No."

(Evidence, pp. 417-18)

Mr. McGregor's evidence was as follows:

"Q. Do you recall if you discussed that with your competitors before you left for Florida?

A. No, I cannot recall I did -- I just cannot remember how rapidly that market went up, but as I recall I was watching this thing carefully and it gave quite a bounce up, as I recall, and I put the 70 cents into effect myself.

Q. Would it be a coincidence that Acadia-Atlantic put 70 cents on?

A. Well, I think they would realize what the market was like, and if I went up and they did not follow in a commodity like sugar, I should think they would be in a very embarrassing position.

Q. Do you recall, in fact, St. Lawrence did not follow for a day or two?

A. I was not there -- I would not know -- I cannot recall what they did -- I cannot actually recall what each one of them did at that time.

Q. Can you give any explanation for having your company the day prior to the increase advise the trade that you would increase by the same amount the next morning, that is yourselves and Acadia-Atlantic?

A. No, I should think it is most unlikely.

Q. The record appears to indicate that happened, and the

record also appears to indicate that the day prior, St. Lawrence announced the other two companies were going up 70 cents and it would not follow and all orders to it would have to be approved at head office?

A. I do not know what happened in the matter, but I am certainly surprised -- there may have been rumours, but how they ever got out, I would not know -- it makes me blazing mad to hear it.

Q. What I want to clear with you is if you have any explanation of the fact that Acadia-Atlantic and St. Lawrence apparently had knowledge of what Canada and Dominion were going to do?

A. No, I have not, because I cannot see how they would have had.

Q. Is there a precise formula which determines the amount of an increase in any particular case?

A. No, I just take the market trend -- we were buying raw sugar at the time, and I believe I just sort of averaged in there and made that figure 70 cents, as I recall."

(Evidence, pp. 502-03)

Mr. Seidensticker's evidence included the following:

"THE WITNESS: I do not know that I recall anything in particular about it. The great thing, of course, was just the extraordinary increase there [in the price of raw sugar].

BY MR. MacLEOD:

Q. Would you have discussed the amount of the advance that you proposed to put into effect with either of your competitors, either St. Lawrence or Canada and Dominion?

A. No, that would have been arrived at quite interiorly."

(Evidence, p. 901)

In his evidence Mr. Crawford referred to the efforts being made in August, 1950 to secure supplies of raw sugar from the purchases made by the United States as described above. His

evidence continued:

"A. . . . And now, we decided not to advance as we, St. Lawrence, were negotiating with the Secretary of Agriculture of the United States for the release of a large quantity of raws at a price that we had reason to believe would be favourable. We thought at that time we would get it for a lot less than the actual price . Now, because of the pending negotiations with Washington I recommend that our company should not advance, but the other refiners were determined to advance, and that is what the news of the day produced, and we did not."

(Evidence, pp. 1121 - 22)

When St. Lawrence did not advance its price on Friday, August 25 the company was swamped with orders, according to the evidence of Mr. Crawford. At 4.00 p.m. on Monday, August 28 St. Lawrence brought its price into line with that of the other two refiners.

During 1951 there were five changes in the basis price of sugar in Eastern Canada. For the first half of the year the price of raw sugar rose sharply, from an average price of $5.22 in January to $7.41 in June, but thereafter the price of raw sugar declined. During May and June, 1951, eastern refiners made three increases in prices, two of which were first announced by Acadia-Atlantic and the third by C. & D. The two decreases in prices were first announced by St. Lawrence and Acadia-Atlantic respectively. During 1952 and 1953 there were thirteen price changes, all downward. Five changes were first announced by C. & D. and four each by St. Lawrence and Acadia-Atlantic. In 1954 there were three price changes. St. Lawrence first announced one decrease and Acadia-Atlantic both one decrease and one increase.

In the case of the first increase in basis price in 1951, which Acadia-Atlantic and C. & D. put into effect on May 3, Acadia-Atlantic sent out messages to its sales representatives on the night of May 2 informing them that the change of price would come into effect at 7 a.m. C. & D. indicated the time of its price change as 10.30 a.m., while st. Lawrence made its price change at 7 a.m. , May 4. The following review of the evidence in connection with this price change is given in the Statement of Evidence:

"511. In the case of the price change of May 3, 1951, there were several teletype messages passed between the Chatham, Montreal, Hamilton and Toronto offices of C. & D. before that company changed its price. These had to do with

information being received about Atlantic-Acadia's increase (AOG 1382, 11495; AOG 3860, 11491; AOG 1381, 11494; AOG 1379, 11492). A similar pattern of message exchange is frequently found in the evidence in the cases of later price changes in which the first move was made by some company other than C. & D.

. . .

513. Both Atlantic-Acadia Sugar Sales and C. & D. made at least some of their sales on May 3 at the price prevailing on May 2 (AOG 1382, 11495; AOG 1363, 11497). . . ."

The first announcement of a decrease in basis price was made by St. Lawrence on September 6, 1951. The Statement of Evidence gives the following review of the evidence:

"518. Exhibit 19 shows that the world price started to drop on June 25 and that it continued to do so, sharply, into August and more gradually, with short variations against the trend, from then on until March, 1953.

519. There was a price decrease of 25¢ which started with St. Lawrence making the reduction at 4:15 p.m. on September 6, 1951. The other two refiners followed on the morning of September 7 (AOI 330A, 10714-5; AOG 1353, 11557; AND 769, 4590-2). This was the last occasion on which there was any difference in basis price between the eastern refiners at the close of a business day before January, 1955 when the inquiry started."

5. Changes in Package and Grade Differentials

It has already been mentioned that changes in package and grade differentials have been made infrequently by eastern refiners. However, when such changes were made they became effective with a change in the basis price. A reduction of 25 cents per 100 lb. in basis price was put into effect by the three refiners at the opening of business on January 25, 1952 and certain differentials were also changed at the same time. It will be seen from the record of price changes, Table IV in the Appendix, that the time of the new price list was 7.00 a.m. for C. & D., 8.30 a.m. for St. Lawrence and 9.00 a.m. for Acadia-Atlantic.

At 4.45 p.m. on January 24, Mr. G.M. Russell of C. & D. sent the following teletype to Mr. R.A. Eamer of the same company:

"WE ARE SENDING THE FOLLOWING NIGHT LETTER TO OUR USUAL LIST:-

'EFFECTIVE SEVEN A.M. FRIDAY TWENTY-FIFTH OUR MONTREAL BASIS REDUCED TO 10.20 LESS FIVE PERCENT STOP FOLLOWING NEW DIFFERENTIALS ALSO EFFECTIVE:

GOLDEN FIFTY ONES ONE DOLLAR, GOLDEN TWENTY-FIVE TWOS SIXTY FIVE CENTS, AND MEDIUM BROWN TWENTY-FIVE TWOS SIXTY FIVE CENTS, OVER GRANULATED BASIS.' "

(ANF 480, 9)

On the same day, January 24, that C. & D. was giving instructions to its sales staff regarding the pending change in basis price and in certain differentials, Mr. Crawford of St. Lawrence prepared the following memorandum for the sales staff of his company:

"The following telegram is to be forwarded to the telegraph office not earlier than 8.30 a.m. January 25, 1952.

J.R. Crawford

P.S. Price list to be timed 8.45 a.m."

(ANH 1947A, 8772)

The telegram was dated January 25th, 1952 and read:

"Effective immediately ten cent concession withdrawn stop All prices except Golden fifty ones reduced twentyfive cents to basis 10.20"

(ANH 1948B, 8774)

As the basis price was reduced 25 cents, the effect of exempting Golden 50 1's was to increase the differential by 25 cents from the 75 cents which had previously been the difference on the price list of St. Lawrence. Only one of the three packages on which C. & D. changed differentials at this time was listed by St. Lawrence. Acadia-Atlantic had the three packages on its list and made the same changes as C. & D.

Mr. Russell of C. & D. was examined on the messages regarding the price changes made on January 25, 1952 and his evidence contains the following:

"Q. Do these teletypes deal with differentials?

A. Yes, this one does.

Q. Would that have any relation to the fact that you knew ahead of them [Acadia-Atlantic and St. Lawrence] about the price change?

A. Yes, I would think it did have some relationship to that because we must have decided on this, Mr. Eamer and Mr. McGregor, about those changes in differentials.

. . .

Q. Is the extent to which they are changed discussed with other refiners before the change is made?

A. I don't know that the extent is discussed, but I do know we have discussed the necessity of making a change, whether they found their costs had gone up similarly or at least had gone up approximately the same as ours.

Q. Have you taken part in any such discussions yourself?

A. Yes.

Q. Has the extent of the change been suggested during those discussions?

A. I would think probably it has been, yes.

Q. Can you recollect whether it was or whether it was not?

A. Well, definitely it would be discussed -- I cannot say that we have always found that the amounts were the same -- they eventually become the same because, as stated before, if you are out of line your customer soon tells you and you just begin to lose the business on that item until the selling price is uniform again.

Q. Have any of the discussions that you have participated in resulted in agreements being reached as to what changes would be made in the differentials?

A. Well, I don't know -- I think they have on certain items, yes -- whether it was uniform or covered all items or not, I do not think they have on that, but they certainly have on some. . ." (Evidence, pp. 211-13)

The package differentials which had been increased on January 25, 1952 were further increased in connection with the price change which became effective on February 18, 1952. On this occasion St. Lawrence made the first announcement to the trade. This was preceded by the following memorandum of instructions prepared by Mr. Crawford on February 14:

> "The following telegram is to be put in possession of the telegraph offices not later than Saturday morning at 12 o'clock, to be transmitted by the telegraph companies Saturday p.m."
>
> (ANH 1945A, 8828)

The telegram read:

> "Effective immediately 5 cent concession withdrawn stop At opening of business February 18th price reduced 30 cents per hundred to $9.90 except Golden 50 1's which are reduced 5 cents per 100 lbs."
>
> (ANH 1946B, 8829)

The change in package prices made by St. Lawrence was to increase the differential on Golden 50 1's from $1.00 to $1.25. The same change was made by C. & D. and Acadia-Atlantic, who also increased the differentials on their other two packages by the same amount.

Mr. W.A. Thompson, Sales Manager of Atlantic-Acadia Sugar Sales, was examined in regard to the change in package differentials and particularly about a letter of February 18, 1952 which he wrote to the company's offices in Saint John. His evidence included the following:

"Q. This refers to certain differentials which you are charging, is that correct?

A. Apparently, yes.

Q. Advancing certain differentials?

A. Yes, that is in 1952.

Q. You say, in the second paragraph:

> 'When we advanced differentials on cartons of soft sugar on January 25, we at that time had estimated only increased costs before us.'

On January 25 you were apparently the third to move up, or the third to advance, behind the other two refiners?

SENATOR HAYDEN: On January 25, do you say?

-- Oh yes; when you talk about January 25, there was a price decline there, was there not?

MR. MACLEOD: A price decline of 25 cents, yes, and at the same time a change in differentials.

BY MR. MACLEOD

Q. Did you discuss differentials with your competitors?

A. Well, as I recall the differentials question, -- yes, I discussed differentials myself, with competitors -- one of them, or maybe both of them -- along the lines that we could not take individual action with the container manufacturers, that is the people who make the board or who make the corrugated containers for the cartons -- to try to resist these advances they were shoving at us almost every day, in order to keep differentials down.

. . .

Q. Did you discuss the particular changes which you made at that time with your competitors?

A. Well, I don't know, but I may have discussed it. Anyway, whatever we did was independent. We put the differentials in. We had to do that, because we had our cost sheet before us, and we put them in.

. . .

Q. Do you find that you have to have the same differentials as your competitors?

A. Oh yes, I imagine you have got to be competitive on a line.

Q. Do you find that your differentials have, in fact, been the same as those of your competitors, over the years?

A. I think they have. I think St. Lawrence -- one of our competitors -- I think they have a couple of items we do not bother packing -- icing sugar in a certain

container, that has not enough demand to warrant it. We do not bother about it.

. . .

Q. Would you have any knowledge of your competitors making similar changes before you made the decision to put these changes into effect?

SENATOR HAYDEN: Do you mean differentials?

BY MR. MACLEOD:

Q. Yes, these differentials on yellows?

A. I don't know; I can't say -- I cannot answer that question.

Q. Well, have you on any occasion discussed changes in differentials?

A. Not other than in a general way. I explained that to you.

Q. Well, can you recall now whether your action of January 25, 1952, when you were the third company to change your price, was simply following the other companies, or was it as a result of an independent analysis of your costs?

A. I think it was definitely as the result of an independent analysis of our costs. It had been a very lively topic in our office."

(Evidence, pp. 734-39)

On this occasion Mr. Crawford of St. Lawrence had prepared the instructions for his company on February 14, which was a Thursday, for transmission on Saturday p.m. and to take effect on the following Monday.

A further decrease in the basis price of sugar was put into effect by eastern refiners on March 24, 1952 and this was accompanied by increases in the price differentials for a number of packages which were the same for the three refiners for comparable items. There is a considerable amount of oral and documentary evidence relating to the price changes made on March 24, 1952. This evidence indicates that each refiner had made examination of its costs of packaging various items in relation to the return received

from the package differentials. The documentary and oral evidence is convincing to the Commission that there were discussions among officials of the three refiners, prior to changes in the package differentials, about such changes.

A typed document listing the package differentials for nine items prior to March 24, 1952, together with certain information about differentials in the United States and British Columbia, was found in the files of both St. Lawrence and Acadia-Atlantic. The nomenclature of the items was not that used by Acadia-Atlantic and not altogether that of St. Lawrence. For example, in the case of one class of product the terms used by the three companies in published price lists were: C. & D. "Tea Cubes", St. Lawrence "Diamond Dice" and Acadia-Atlantic "Cubes" or "Tea Blocks". Only the term "Tea Cubes" was used in the document. Witnesses from both St. Lawrence and Acadia-Atlantic said that they believed the typed document had originated outside their companies. The typed document had a column headed "Proposed" under which amounts of the changes made in differentials on March 24, 1952 had been written by Mr. Crawford in the case of the document from the files of St. Lawrence and by Mr. Seidensticker in the case of the document from the files of Acadia-Atlantic. Neither recalled the date on which the handwritten notations had been made, but Mr. Crawford had written the date March 24 on his copy which read as follows:

"March 24/52

		Eastern Canadian Refiners over cotton basis /1/	National and American over paper basis	British Columbia Ref. over paper basis	PROPOSED /1/
Granulated	25/2's	1.00 + 25	.85	(30/2) 1.35	1.25
Golden	25/2's	.90 + 10		.85	1.00
Golden	50/1's	1.25 + 25	1.80		+ 1.50
Icing	50's	.60 + 15		.90	+ .75
Icing	25's	.75 + 15		1.10	+ .90
Icing	50/1's	1.55 + 45	(25/1) 2.00	2.15	+ 2.00
Tea Cubes	50's	1.05 + 20		1.55	+ 1.25
Tea Cubes	25's	1.25 + 25	1.55	1.70	1.50
Tea Cubes	25/2's	2.00 + 50	3.55	(30/2) 2.70	+ 2.50

Powdered 50s + .15)
) same as /2/"
25s + .15)

(ANH 356,8867)

/1/ These columns handwritten on original document.

/2/ This note handwritten on original document.

The document from Acadia-Atlantic read:

		"Eastern Canadian Refiners over cotton basis	National and American over paper basis	British Columbia Ref. over paper basis	[2]	PROPOSED [2]
Granulated	25/2's	1.00	.85	(30/2) 1.35		1.25
[1] Golden Brown	25/2's	.90		.85		1.00
Golden	50/1's	1.25	1.80	-		1.50
[1] Icing Powd	50's	.60		.90	.30	.75
[1] Icing Powd	25's	.75		1.10	.30	.90
Icing	50/1's	1.55	(25/1) 2.00	2.15	1.95	2.00
Tea Cubes	50's	1.05		1.55	1.35	1.25
Tea Cubes	25's	1.25	1.55	1.70	1.50	1.50
Tea Cubes	25/2's	2.00	3.55	(30/2) 2.70	2.50	2.50

Granulated 5/10's)
) no change [1]"
" 10/5's)

(AND 1663, 4775)

[1] Handwritten on original document.

[2] These columns handwritten on original document.

Mr. G. M. Russell of C. & D. was shown one of the above documents and he said that the terminology was that used by his company. His evidence also contained the following:

"Q. Do you recall any occasions on which you did discuss differentials with competitors?

A. Yes, I cannot recall the specific occasion, but I do know these matters have come up -- I think I said that before -- when costs rise to a point where we feel we are [not] recovering our cost, we have to take action to increase prices, and it is the same situation with our competitors and we have discussions.

Q. Do you recall using a sheet such as this at any such discussion, not this specific sheet but any sheet along the same lines?

A. No, I don't recall that I did, but I would not want to say that I did not because I don't imagine I could keep that all in mind and if we were discussing it, I don't remember whether we discussed it over the telephone or how, but we certainly have talked about changing differentials.

Q. Do you recall either preparing or instructing someone else in your own organization to prepare such a sheet as the one in front of you, 4475?

A. That is very hard to answer -- I don't recall -- I think I have made up such comparisons -- I am sure I have -- whether I have asked anyone else to do it, I don't know.

Q. Do you recall if you have made tables of such comparisons available to your competitors for the purpose of discussions?

A. I may have -- I cannot say for sure, but whether I made a table or whether they were read off, this is common information -- they would have the same information as we would have or in British Columbia and on the American differentials."

(Evidence, pp.222-23)

On March 21, 1952 Mr. Crawford of St. Lawrence wrote the following memorandum to Mr. Smith of his company:

"Please write the attached letter to the Agents today, and it would be better if it were sent separately."

(ANH 753F, 8876)

The letter, marked "Confidential", went out on March 21 and read as follows:

"At the next price change, either up or down, we propose making the following changes in our differentials, and these are to be considered as being in effect then unless you are notified to the contrary:

		Present Differential	New Differential Effective at next price change
Granulated	25/2's	1.00	$1.25
Golden	25/2's	.90	1.00
Golden	50/1s	1.25	1.50
Icing	50's	.60	.75
Icing	25's	.75	.90
Icing	50/1s	1.55	2.00
Dice Cubes	50's	1.05	1.25
" "	25's	1.25	1.50
" "	25/2s	2.00	2.50
Powdered	50's	.60	.75
"	25's	.75	.90

We are giving you this advance notice as it would be difficult to explain the situation in full by telegram in the event of a change."

(ANH 2029, 8875)

It may be noted that a change in differential was listed in this letter for "Golden 25/2's" whereas on the previous occasions notices from St. Lawrence had referred only to 50 1's, and the price lists of St. Lawrence do not contain 25 2's until May, 1952.

On the same day, March 21, Mr. R.E. Miller, assistant to Mr. Crawford, filed the following telegraph message for dispatch by night letter on Saturday p.m., March 22:

> "FIVE CENT CONCESSION WITHDRAWN IMMEDIATELY STOP EFFECTIVE NINE A.M. MARCH TWENTYFOURTH PRICE REDUCED TWENTYFIVE CENTS PER HUNDRED POUNDS TO 9.65 BASIS CERTAIN DIFFERENTIALS BEING CHANGED."

(ANH 808G, 8885)

Also on March 22, Acadia-Atlantic filed a telegraph message at 1.12 p.m. for release at midnight on March 23 (Hearing, pp. 1078-79) announcing the same price changes as St. Lawrence with an additional differential for a type of package not listed by St. Lawrence (AND 669-71B, 4831-33).

On Monday morning, March 24, there were messages passed between offices of C. & D. giving details of the changes made by St. Lawrence and Acadia-Atlantic. C. & D. made similar changes effective 9.30 a.m. and also announced changes in differentials on two additional packages not carried by the other two refiners. Mr. R.A. Eamer of C. & D. was asked about the change of differentials on the morning of March 24 and gave the following evidence:

"Q. . . . Do you recall anything about the price change and change of differentials which took place on or about March 24, 1952?

A. No, I do not.

Q. Is the fact that you were notified apparently at five minutes after nine about a price change and changes in differentials and that you made similar changes on behalf of your company at 9.23 unusual?

A. No, I would not say it is.

Q. Apparently the price change at this time included a complete revision of differentials, did it not?

A. No, I do not think that is complete. Our list is much longer than the others. Did you notice?

Q. Is it not a fairly complete change in differentials?

A. No, I would say there are quite a number of packages in addition to that.

Q. It is a fairly wide revision, nevertheless?

A. Yes.

Q. Would you make such a revision in 18 minutes?

A No, certainly not.

Q. Well, do you mean by that that your teletype of 9.23 must have been preceded by some discussion?

A. Oh, definitely. Definitely it must have taken place, we would not make this change on the spur of the moment.

Q. I will just direct your attention to the fact in this instance you are apparently following other companies. What you say is nevertheless true, is it?

A. Yes, definitely. It is true as it concerns the differentials."

(Evidence, pp. 1347-48)

Documents filed on behalf of Acadia-Atlantic show the company's costing of various packages and whether the packaging differential yielded a profit or loss to the company. When these factors are compared with the changes made in differentials in 1952 it will be seen that, at that time, Acadia-Atlantic increased the prices of some packages by a lesser amount than that considered necessary to yield a profit, while in other cases the increase was more than had been considered "necessary". The following table gives the comparative figures for different items.

Table 14

Acadia-Atlantic, Comparative Figures for Package Differentials

	Differential Prior to Jan. 25/52	Extra Profit or Loss as shown by AND 1643A, 4639	After Increase Added on Jan. 25/52	After Increase Added on Feb. 19/52	After Increase Added on Mar. 24/52	Total Increases Added	Differential shown as "necessary" in AND 1667C-X, 4779 From Exhibit 20
	$	$	$	$	$	$	$
Granulated in Cartons, 25/2's	1.00	- .15453			1.25	.25	1.15
Brilliant or Bright in Cartons, 25/2's	.50	- .74544	.65	.90	1.00	.50	1.25
O.F.B. in Cartons, 25/2's	.40	- .91119	.65	.90	1.00	.60	1.30
Brilliant in Cartons, 50/1's	.75	- .84809	1.00	1.25	1.50	.75	1.60
Icing in Corrugated Paper Boxes, 50's	.60	+ .2574			.75	.15	
Icing in Corrugated Paper Boxes, 25's	.75	+ .23097			.90	.15	
Icing in Cartons, 50/1's	1.55	- .39905			2.00	.45	1.95
Cubes in Corrugated Paper Boxes, 25's	1.25	+ .46469			1.50	.25	
Cubes in Corrugated Paper Boxes, 50's	1.05	+ .4406			1.25	.20	
Cubes in Cartons, 25/2's, loosely packed	2.00	- .26459			2.50	.50	2.25

Information is not available as to the sales of various packages which would permit any estimate as to the over-all change in returns to the company resulting from the increase in package differentials in 1952.

The situation in regard to changes in package differentials was described by Mr. Crawford, in evidence, as follows:

"Q. In these particular cases it appears you made identical changes at the same time and that you advised of them in advance?

A. Well, that may have been done by the sales office. What does the sales office say about it? The sales office has a function. It must know what our competitors are doing and I think it is only being realistic to say that they are in touch with each other on matters of this kind because if they are not there is nothing but confusion. You cannot possibly sell a product which is supposed to be identical at a higher differential."

(Evidence, p. 1155)

On the basis of the whole evidence relating to common package differentials of the three eastern refiners it is the conclusion of the Commission that such matters were the subject of discussion among the three companies and that a common basis of pricing was arrived at when changes were made.

CHAPTER VI

THE USE OF DELIVERED PRICES IN THE SALE OF SUGAR

Although as previously described the basis price for refined sugar in Eastern Canada has been the refinery price at Montreal or Saint John, and at Halifax in earlier years, the sale of refined sugar has been made largely on a delivered price basis, so that the selling price quoted by the refiner included the basis price and a charge for transportation. In those parts of Eastern Canada where the freight from Montreal is less than that from Saint John a system of equalized freight rates based on Montreal has been used by the three eastern refiners to arrive at the delivered list price of refined sugar at any point of sale. For the Maritime Provinces Acadia-Atlantic prepared lists of equalized freight rates and sold sugar at the refinery price plus the equalized freight rate. The nature of the system is not in dispute and it was described generally in the Statement of Evidence as follows:

> "292. The basis price for sugar applies at the refinery door and except for certain sugar sold to buyers in Montreal who buy in carload lots and have railroad sidings all buyers of sugar in eastern Canada either take it away from the refinery in their own vehicles or pay a price for the sugar which includes a charge for transportation. In Montreal the ordinary buyer pays cartage. In other places in eastern Canada the buyer pays a charge for freight and where applicable, a charge for cartage.
>
> 293. Since July, 1955, there have, as already noted, been three places at which there were refineries and at which sugar could be bought at the basis price. These are Vancouver, B.C., Montreal, Quebec; and Saint John, N.B. Previous to July, 1955, Halifax had also been such a point although the refinery there had not operated since early 1942.
>
> 294. In eastern Canada the basis price for sugar was almost invariably during the years 1931 to 1955, inclusive, exactly the same at Saint John, N.B. and Montreal. Freight charges on sugar moving west from Saint John were lower than those on sugar moving east from Montreal until it had got about as far as Mont Joli or Riviere du Loup in Quebec. Thus on sugar shipped west of those points the St. John

refinery has had to 'absorb' some or all of the freight charges involved. Basis prices on sugar in Montreal and Vancouver have not always been the same. Depending upon the prevailing differences between these prices and the varying relationships as between freight rates on west bound sugar and east bound sugar the dividing line in western Canada has moved backwards and forwards somewhat. However, basically, the price of Montreal sugar plus freight charges has been lower as far west as eastern Saskatchewan than the price of B.C. sugar plus freight. Sugar produced by The Manitoba Sugar Company Limited in Fort Garry, Manitoba has sold in Manitoba at a price which has been closely identified with the prevailing price of eastern cane sugar less a differential for beet sugar.

295. Almost the whole of the sugar produced by C. & D. and St. Lawrence is sold in the central part of Canada in which the prevailing price is the Montreal basis price plus freight. About 65% of the output of Acadia-Atlantic is also sold in that territory. Charges for freight and cartage form a significant part of the cost of sugar to the buyer and because of this, and the fact that there has for years been an organized and recognized way of setting these charges they are of considerable significance in the trade.

296. The system used for pricing has been known as the equalized freight rate system and has depended upon the use of what have been known as 'equalized rates'. The greater part of the sugar sold by the three eastern refiners in Manitoba and Ontario and in Quebec outside of Montreal has been sold at prices which involved the addition of the prevailing equalized rate to the Montreal price for sugar. At any particular time for many years there have been in existence several lists which in the aggregate give 'equalized rates', for all places east of the dividing line in Saskatchewan between sugar prices based on Vancouver and those based on Montreal at which sugar buyers of any significance have been located. The net price to a carload buyer is the basis price at Montreal or Saint John plus the equalized rate less the 5% discount and plus package differentials and cartage where applicable.

. . .

303. It was the regular practice to change the equalized rates when railway rates were changed. In the years since 1949 this meant the equalized rates were changed when, from time to time, railway freight rates went up and were also changed when the railways changed from winter rates to

summer rates or back again depending upon the opening or closing of navigation on the St. Lawrence. In this connection it should be mentioned that in November 1954 the railways did not institute winter rates on sugar shipments out of Montreal and left their rates at the summer levels (AOG 4371, 14615).

304. There is not in evidence any information as to what part of the sugar shipped by the refineries goes by rail. It is in evidence that all of the sugar shipped west by Acadia-Atlantic leaves the refinery by rail (Evidence p. 1052). This, however, is obviously not the case with the Montreal refineries. Concerning sales to customers in Three Rivers, Quebec, G. M. Russell of C. & D. said that it had 'become customary in the trade to buy f.o.b. Montreal and they provide their own transportation' (Evidence p. 149). Whilst this method of purchase is open to any customer it is obviously not the one most frequently used by Ontario buyers of sugar. Both C. & D. and St. Lawrence ship sugar west out of Montreal by boat and this sugar goes to such places as Toronto, Hamilton, Sault Ste. Marie and Port Arthur-Ft. William where warehouse stocks are maintained. In addition they both ship large quantities of sugar to Ontario points by truck and considerable amounts by rail.

. . .

306. For their own internal use each of the refiners had lists of the prevailing equalized rates and for use in sales to Ontario customers, 'net price' lists which were built up by taking the Montreal basis price, adding the equalized rate and deducting the 5% discount. There are many examples of these various lists as they were in effect from time to time in the evidence.

307. C. & D. prepared such lists in Montreal (Evidence p. 183). Documents AOG 558, 15940-6 collectively form internal Price Bulletin, No. 76, put out by C. & D. which embodied such lists for Ontario, Quebec, Lakehead Territories and the Province of Manitoba. This price bulletin was put out on the occasion of a change in freight rates (Evidence p. 183). Similar lists and bulletins were also prepared when the basis price for sugar changed. Bulletin No. 76 shows net prices for the Ontario points named along with information on freight rates and the 'equalized rate'. For places in the other territories no net price was shown. 'Net price' lists were prepared only for Ontario points (Evidence p. 326).

308. W. A. Thompson, Sales Manager of Atlantic-Acadia Sugar Sales gave evidence concerning his company's practice in the use of such lists. Documents numbered AND 1769D, 5595-6, set out the 'Net Price for Granulated In 100-lb. Paper Bags' for Ontario points as of April 15, 1954. This list also showed the equalized rate and the places named were divided as between centres and non-centres. Mr. Thompson identified these documents, which were similar to many others also in evidence, said they were prepared by the clerical staff and traffic department and he had full responsibility for their preparation (Evidence p. 707). A little later in Mr. Thompson's evidence the following appears:

> 'Q. The equalized rate you use determines the final price anywhere outside of Montreal, does it not?
>
> A. Yes.'
>
> (Evidence p. 712)

He also said:

> 'We make a separate freight list for Quebec and a separate freight list for the Maritimes.'
>
> (Evidence p. 712)

E. V. Burgess, traffic manager of Atlantic-Acadia Sugar Sales also gave evidence on his firm's practice in the Maritimes:

> 'A. . . . In the Maritime provinces we prepare sheets showing equalized freight rates and sugar is sold at refinery prices plus the equalized freight rate, subject to trade discount. Sugar is not sold on the so-called net basis in Nova Scotia.'
>
> (Evidence p. 1040)

309. St. Lawrence also prepared new lists of delivered prices and equalized rates whenever prices or freight rates changed (Evidence p. 1094). Examples of such lists are documents ANH 2836, 8067-8084, which were effective on April 15, 1953. Included in this set of documents are net prices for Ontario and equalized rates for Quebec, Lakehead Territories and Manitoba."

For those localities where equalized rates were based directly on published railway freight tariffs a straightforward arithmetical calculation was all that was necessary to revise the rate when a change in railway tariffs made a revision necessary. This was described in the evidence of Mr. Burgess of Atlantic-Acadia Sugar Sales as follows:

"Q. And where did you get the equalized rate?

A. The equalized rate is determined in this way; the railways publish an actual freight rate from Montreal to any point involved on the line. The actual rate in the rail tariff is considered as 95 per cent of the desired equalized rate. By a mathematical computation you thereby arrive at the equalized rate which, when you add it to the basis price and take off 5 per cent means, in effect, that you are charging the actual freight rate from Montreal."

(Hearing, p. 376)

Equalized rates were also calculated by C. & D. and the equalized rates prepared by C. & D. were made available to St. Lawrence. C. & D. and Atlantic-Acadia Sugar Sales checked with each other after calculating any changes in equalized rates. Mr. F. Doherty of C. & D. gave the following evidence:

"Q. Have you discussed these rates on any occasion with officials of your competitors, the other refiners?

A. With the traffic manager of the Acadia-Atlantic Sugar Company -- I have discussed on different occasions rates, rate structures and matters pertaining to freight.

Q. What I had in mind is this. Would there be any discussion prior to the preparation of a set of winter equalized rates in the form of a bulletin which I showed you?

A. There would not be any discussion prior, but there would be a check to prevent mistakes -- I usually prepare them myself, and they check it with me to see there are no mistakes.

Q. You say 'they'. Does that include St. Lawrence?

A. St. Lawrence have not had a traffic manager there as long as I can remember, and for anything involving tariffs, they will rely on me to give them the equalized rates and explain traffic to them and so on.

Q. Have you made such information freely available to them on request?

A. In so far as traffic is concerned, perhaps with some reservation as to extraneous circumstances, but usually we have helped them, the St. Lawrence Sugar Company -- the Acadia-Atlantic have a good traffic man -- it is a good check for me too."

(Evidence, pp. 331-32)

The evidence of Mr. E. V. Burgess, Traffic Manager, Atlantic-Acadia Sugar Sales, includes the following:

"A. We issued a net price list and an equalized freight sheet because our sales force, in addition to having the equalized rate on the price that it gave you, had also to have a list of freight rates from Saint John. So when we had freight changes, or price changes, we had to make two sheets -- and I am talking about the time from 1950 on. We had to make a freight equalized sheet and a net price sheet, which shows the basis price of the sugar, and the equalized rate, and the net price that these two factors give you."

(Hearing, pp. 374-75)

Again:

"Q. What, if any, arbitrary decisions are involved in the determination of this equalized rate? All you have told me so far indicates that it is just arithmetic?

A. That is right. In some instances in the past -- not today -- there would be a point in Ontario to which there was no published rail rate from Montreal, rail tariff, and at which point the practice had been to receive sugar via truck or, let us say, Hamilton and Toronto. In almost all cases like that, I and others in our company knew what this truck rate would be, and we would know what the arbitrary [rate] should be to arrive at this transportation cost.

If there was any point at which I could not determine what it should be, then I would consult with Mr. Thompson.

Q. So that if there was a point to which you did not have the rail rate, but that there was a well-known rail rate to some other point, and a well-known truck rate, then you would use that?

A. Yes, that is right.

Q. If there was any question of decision, or any arbitrary phase in it, you did not make the decision; you consulted with Mr. Thompson?

A. Correct."

(Hearing, pp. 379-80)

And again:

"Q. Did you consult the traffic man at Canada and Dominion before you determined or made your calculation, and determined your equalized rates?

A. No, I did not.

Q. Did he check with you?

A. When we had each done our work, we checked our arithmetic. As you can see, there was pressure usually to have it done quickly, and quite a number of computations; and when we finished we checked each other's arithmetic, and on occasions found one of us had made an error in calculation.

Q. I understand, however, that if you had a sleeper in your list -- and I think you understand what I mean -- and if the Commission does not, I shall explain it -- if by reason of some special circumstances of some kind you had a rate that did not seem to be related to the rail rate, would you give any indication of that to your opposite number?

A. No, I would not.

Q. That was confidential information?

A. Yes, that is right."

(Hearing, p. 382)

The Statement of Evidence presents the results of comparisons of price lists of the three eastern refiners effective April 15, 1953 and February 23, 1954. The results are summarized as follows:

"312. The price and equalized rate list material described in the preceding paragraph is not identical in that the territories covered by the St. Lawrence material are greater than that for the C. & D. lists which in turn are for a larger area than the Atlantic-Acadia Sugar Sales lists. In so far as net prices for Ontario are concerned those on the C. & D. list correspond exactly with thoseshown by Atlantic-Acadia Sugar Sales. Prices for six places listed by C. & D. are not listed by Acadia-Atlantic and four listed by Atlantic-Acadia Sugar Sales are not on the relevant C. & D. list. The St. Lawrence lists show net prices of $9.06 for Hearst, Magpie, Regan and White River compared with $9.12 on the C. & D. lists. Except for two places listed by St. Lawrence, Humberstone and Walkerville, which were not listed by C. & D., all other prices and places shown by St. Lawrence are identical with those shown on the C. & D. lists.

313. Another comparison, this being of net prices for Ontario which became effective from February 23, 1954 reveals that both C. & D. and St. Lawrence listed prices for exactly the same places and for each of these except Simcoe, in which case the St. Lawrence list appears to be in error, showed exactly the same net prices (AOG 2473, 13415-6; ANH 2899, 8130-8135). The Atlantic-Acadia Sugar Sales list of Ontario net prices for the same date shows the same price for Simcoe as does C. & D. This list has prices listed for five fewer places than have the C. & D. and St. Lawrence lists. The prices on it for Hearst, Kapuskasing, North Bay and Sudbury have been changed by hand (AND 1771 F, 5597-8). It is clear that these changes were made to meet changes in rail freight rates that become effective on March 29, 1954 and that on the date of its publication there were no different prices for the same place shown as between Atlantic-Acadia Sugar Sales and C. & D. (AFG 397, 6471; ANH 1030B, 10003; AOG 3201, 13725).

312. It would seem from the foregoing comparisons and from the evidence as a whole that any differences that did show up between the net price and equalized rate lists of the three companies were of little, if any, significance taking the trade as a whole. This is to be expected in view of all the circumstances including the procedures and practices involved in the preparation of the lists. The basis price - as has already been shown - has almost always been exactly the same for the three refineries. To a very considerable

extent the preparation of the lists involved nothing more than the correct reading of railway freight tariffs and simple arithmetical calculations. Finally, and of greatest significance for purposes of this Statement, there was consultation between employees of the three companies at the time of the preparation of such lists. . . .

. . ."

Although equalized rates were generally minimum railway freight rates to the delivery point plus 5 per cent (to offset the discount on the selling price) in some situations a different basis might be used. Such situations might relate to localities where the lowest railway freight rates, e.g. commodity rates, did not apply or only applied during part of the year, or where the combination of transportation charges from a competing distribution point might affect the competitive position of local suppliers of sugar.

An example of the calculation of a combination of rail freight and trucking charge is found in the revision of the equalized rate to Niagara Falls and St. Catherines to 57 cents by the three eastern refiners in December, 1950. Mr. Burgess said in evidence that the rate was made up by taking the equalized rate to Hamilton and adding the trucking charge from Hamilton to Niagara Falls, which was 10 cents per hundred pounds at that time. His evidence went on:

"A. . . . Take Hamilton at 46 and you add 10 to that and you have an equalized of 56. But when you take the 56 cents equalized and apply it to the price in effect at that time, which I believe was $10, and take 5 per cent off of it, you will not get the 10 cents higher price which you required in Niagara Falls over Hamilton.

Q. Yes.

A. In other words, 56 cents was a quick stab at an equalized, without thought being given to the arithmetic of the thing. So that to get a 10 cent higher price in Niagara Falls you need a 57 cent equalized, or in other words you need an 11 cent increase in the equalized gross to give you a 10-cent net increase in your net list price."

(Hearing, p. 521)

The documentary evidence shows that the same revision was made by the three companies.

Some indication of the departures made from actual railway freight rates in establishing equalized rates for some localities is given in discussions of summer equalized rates in 1951. The following review of the evidence is given in the Statement of Evidence:

"348. Summer equalized rates were being prepared in 1951 on April 10 when G. M. Russell sent a long message to R. A. Eamer. It contained the following:

'Expect discuss equalized rates tomorrow morning. Would like your views on following proposals which I think might be suitable this year:

	1950		Proposed 1951	
	Rail	Equalized	Rail	Equalized
Windsor, Sarnia, Chatham, Leamington	50	50	52	55
London, St. Thomas	49	46	51	51
Stratford	49	49	51	54
Toronto, Hamilton	35	37	37	39

You recall strong adjudication last fall for elimination of absorption at Windsor. I think this appropriate time to accomplish this. . .'

(AOG 1365, 11489)

In evidence Mr. Russell said that the word 'adjudication' should have been 'agitation' and:

'Q. . . . I was going to ask you if you could indicate what the nature of the discussion referred to in the first line would be. You say "Expect to discuss equalized rates tomorrow morning". With whom did you expect to discuss them?

A. I imagine that would be with one or other or may be both of the other refiners.'

(Evidence p. 196)

349. On November 22, 1951, Mr. Russell sent a teletype message to R. A. Eamer, which started out as follows:

> 'At a meeting here yesterday to discuss winter equalized rates it was felt that we should follow a general pattern of recovering the actual truck rate from Toronto and Hamilton if at all possible.'

The message then went on to set out a considerable amount of material having to do with adjustment of equalized rates to various Ontario places where the straight proposition of setting the equalized rate at the rail freight rate plus 5% was not considered desirable, and also to indicate that discussions were going on as to what should be the minimum quantity for the carload price. The message ended:

> 'Please give me your ideas on the above points soon as you can this afternoon so we can continue discussion here.'

(AOG 1341, 11598)

In evidence Mr. Russell said the meeting mentioned 'would be with the other refiners' (Evidence p. 200).

350. R. A. Eamer replied to Russell's message on November 22 (AOG 1343, 11597) and Russell then sent another teletype to him from which the following is quoted:

> 'Furthermore Atlantic must have an equalized rate for invoicing. We could invoice at Montreal price and add truck freight, if prepaid, or ship collect but not so with Lantic."

(AOG 1342, 11600)

This passage was brought to the attention of Messrs. Russell, Burgess and Eamer when they were giving evidence. Their evidence might be summarized as being to the effect that Atlantic-Acadia Sugar Sales had to absorb freight when shipping into Ontario and the price it ordinarily quoted was the price set out on the net price lists used by C. & D. and St. Lawrence -- and for that matter by Atlantic-Acadia Sugar Sales (Evidence pp. 201, 1042; 1334-7). Mr. Eamer's evidence is quoted in part:

> 'Q. To your knowledge were equalized rates discussed with any of your competitors before they

were finalized?

A. As I have said before, yes, I think so.

Q. Were the equalized rates, the lists of equalized rates the results of discussions among the three of you?

A. I would not say they were agreed on. I think we exchanged lists as much as anything.

Q. That would be prior to issuing?

A. Yes, prior to issuing.'

(Evidence pp. 1337-8)"

It has already been mentioned that it was the practice of C. & D. and St. Lawrence to ship considerable quantities of sugar by boat from their Montreal refineries during the navigation season and to build up stocks at various lake ports such as Toronto, Hamilton and the Lakehead which could be drawn upon when navigation was closed. In the spring of 1952 Canada Steamships Limited (C.S.L.) made a new arrangement with C. & D. and St. Lawrence for the movement of sugar from Montreal to Toronto and Hamilton which provided free storage and cartage, or an allowance if C.S.L. did not provide cartage. The details of the arrangement with C. & D. are given in the following portions of the Statement of Evidence:

"354. On April 15, 1952, N.W. Van Wyck, Freight Traffic Manager of Canada Steamships Limited, wrote personal letters to G. M. Russell of C. & D. and W. T. McLean, Sales Manager of St. Lawrence. In this letter the rate from Montreal to Toronto and Hamilton was set at 40¢ per cwt., and other rate information was also given. There was also mention made of cartage arrangements in Toronto under which C.S.L. would absorb cartage at a cost of 6¢ per 100 lbs. (ANJ 355E, 6969-70). In a letter dated April 16, 1952, Mr. Russell told C. & D.'s Toronto agent, F. G. Riseboro of the new arrangement and how it would work. In this letter Mr. Russell showed that net costs of shipment through C.S.L. would be 34¢ per cwt. as compared with 54¢ through the Terminal Warehouse in Toronto. In a further letter to Riseboro on April 22 concerning this matter Mr. Russell said:

'We have already advised you of the new arrangement with C.S.L. this year but the attached copies will give you further <u>confidential</u> information.

This arrangement regarding the 6¢ cartage allowance at Toronto and the free storage are all features which must be kept very confidential to ourselves only. As far as the trade is concerned, it is incidental costs in connection with handling and storage at the dock sheds, which made it necessary to charge the same price for truckload lots delivered ex C.S.L. shed as we do for cars shipped by rail or truck from Montreal.

Your first boat will arrive Toronto tonight, having left here Sunday night, and you will then be in position to offer the trade delivery via C.S.L. at the same price as by truck or rail from Montreal and with even faster service. You will readily see that it is to our interest to move as great volume as possible through the C.S.L. in order to take advantage of the 3¢ which accrues to us. There is even a greater advantage to us on less than truckload shipments which you may deliver from C.S.L. to the small buyer where the ex warehouse price applies. Needless to say we should concentrate on delivering all possible from C.S.L. stock.'

(ANJ 352B, 6971; ANJ 353C, 6976)

C. & D. received a 6¢ delivery allowance from C.S.L. on all sugar through the C.S.L. facilities at Toronto which was not delivered by C.S.L. (ANJ 354D, 6977). The commodity rail rate from Montreal to Toronto at this time was 43¢ per 100 lbs. on cars of 60,000 lbs. -- and the equalized rate was 45¢ (AOG 346, 15728-34)."

Mr. Doherty of C. & D. gave the following evidence in regard to the relative cost of transportation by water and rail:

"Q. . . . In the delivery of sugar are there certain instances where you collect more from the customer for freight than you actually pay for freight?

A. I would say, in our winter storage period where we ship by C.S.L. in the summer and store during the winter, that would possibly be, but you would have to take into consideration all your storage cost and extra cost and the conditioning of the sugar -- we have sometimes quite problems with sugar, some heavy losses due to sugar becoming damp on board and the thing having to be returned to Toronto and sold at cut prices."

(Evidence, pp. 340-41)

Apparently the greatest advantage to the Montreal refiners in the case of boat shipments arose at Toronto or Hamilton from deliveries of small lots of sugar sold at the ex-warehouse price, but Mr. Russell of C. & D. said that such sales formed only a small part of the company's total business. There are a number of references in the documentary evidence which indicate that C. & D. considered that water transportation provided an advantageous means of shipping sugar. At a time when 300 bags was the minimum carlot shipment of C. & D. Mr. Russell wrote to Mr. Eamer:

> " . . .
>
> THE 34 CENT RATE TO CSL SHED PLUS THE ACTUAL TRUCK FREIGHT TO OUTSIDE CENTRES IN HAMILTON TERRITORY RESULTS IN A TOTAL COST NOT EXCEEDING THE RAIL COMMODITY RATE AND IN SOME CASES LOWER THAN THIS AND SINCE THESE TRUCKS ALL HANDLE 200 BAG LOTS, OUR ACTUAL COST FOR 200 BAG DELIVERIES IS NO GREATER THAN 300 BAG LOTS.
>
> . . ."

(AOG 4248, 14039)

On another occasion when it appeared that chain stores in Burlington, Ontario were being offered sugar at a lower price for smaller quantities than that quoted by C. & D., Mr. Russell wrote to Mr. Eamer:

> " . . . SINCE WE ARE IN A POSITION TO DELIVER FROM CSL STOCK AT THE COMPETITOR'S PRICE WITHOUT ABSORBING I AGREE THAT WE SHOULD MEET THIS COMPETITION. . . .
>
> . . ."

(AOG 4291, 14208)

The evidence in the inquiry does not show what part of the output of C. & D.'s Montreal refinery was shipped by boat but in the case of St. Lawrence boat shipments formed 33.77 per cent of total shipments in 1953 (ANH 911, 8200). Shipments by truck by St. Lawrence in the same year were 44.84 per cent of the total.

Because all shipments of sugar by Acadia-Atlantic to Central Canada were rail shipments from the Saint John refinery Acadia-Atlantic could only secure the most advantageous freight rates on large shipments. C. & D. and St. Lawrence, on the other hand, had minimum rail rates on smaller quantities, in many cases, because of

the competition from motor trucks. In 1953 Acadia-Atlantic succeeded in securing a rate on 100,000 lb. railway cars which lessened its freight costs in shipping to Toronto. The situation was considered in a letter which Mr. Doherty of C. & D. wrote to the company's Chatham office:

> "Before leaving, Mr. Russell asked the writer to reply to your letter of December 17th, in connection with reduced rates from Saint John, N.B. on sugar in minimum quantities of 100,000 lbs.
>
> Since receiving your letter we have discussed and pondered over this matter and found it to be a problem difficult to overcome for the following reasons:
>
> 1. Although Lantic can use their lower rates without affecting their selling price, any reduction in rate from Montreal would immediately cause our equalized rate to be reduced.
>
> 2. Any reduction in our equalized rate would lower our Dominion [beet sugar] price.
>
> 3. Trucks would likely meet the lower rates for shipments of 30,000 pounds, so our price structure would have to be lowered.
>
> 4. Boat rates to Toronto and Hamilton would still be lower than the 100,000 lb. minimum rate, so we would not actually ship by rail.
>
> Due to the above circumstances it would be difficult to recommend any solution. In the case of London and Ottawa we might be able to use a lower rate for 1,000 bags by rail. Will appreciate having your further comments and in the meantime will hold this matter in abeyance."

(AOG 4965, 13642)

The foregoing letter indicates how the price of beet sugar produced by C. & D. in Ontario was related to the delivered cost of cane sugar produced at Montreal.

Another example of the position of Acadia-Atlantic as a rail shipper is given in a review of evidence relating to shipments of sugar to Orillia which appears in the Statement of Evidence as follows:

"366. In late 1953 the lowest rail rate from Saint John to Orillia was 66¢ per 100 lbs. on an 80,000-lb. car. The comparable rail rate from Montreal was 65¢ on a 30,000-lb. car. At the same time there were commodity rates from Saint John to Toronto of 59, 56 and 54 cents on minimum cars of 60,000, 80,000 and 100,000 lbs. respectively. The rate from Montreal to Toronto was 49¢ on a 60,000-lb. car. The standard selling price in Toronto on carload quantities was based on this 49¢ rate -- the equalized rate being 52¢ (AOG 6, 15388).

367. On December 2, 1953, F. G. Riseboro, Manager of C. & D.'s office in Toronto, reported to G. M. Russell that York Trading of Orillia was picking up Atlantic sugar in Toronto (AOG 2812, 13335). The next day Mr. Riseboro sent a message on this matter elaborating on what he had previously said. It seems that Atlantic-Acadia Sugar Sales was allowing York Trading of Orillia to pick up sugar in 30,000-lb. lots in Toronto at the carload price rather than the ex-warehouse price which was 5¢ higher. (The prevailing net price for Toronto was apparently based on truckloads of 30,000 lbs. although some customers got this price on 20,000 lbs.) (AOG 2763, 12857-8). Riseboro wanted to know if he could meet the Atlantic-Acadia Sugar Sales proposition. C. & D.'s practice at the time was to deliver to a customer in Toronto, from the C.S.L. dock at a cost to itself of 6¢ per 100 lbs. in truckloads of 30,000 lbs (this was subject to a few specific exceptions, all of which were manufacturers) (AOG 14, 15396-7) at the net Toronto price, but it was not the policy to allow any pickups at the C.S.L Toronto warehouse where the sugar was stored without charging the 5¢ differential for ex-warehouse sales. The question raised by Riseboro resulted in an exchange of messages between Eamer and Russell of C. & D. The documents in evidence do not show what the final decision was, but a message of December 4, 1953, from Russell to Eamer (AOG 3559, 13344) includes the following interesting paragraph:

> 'You note of course that it is Lantic that are allowing this customer to pick up at warehouse at the carload price. Lantic have rail rates to Orillia based on a minimum of 40,000 pounds in the summer and 60,000 pounds in the winter so this may be their way of meeting our 30,000 lb. minimum and also competing with the faster service given by direct truck shipments from Montreal.'
>
> (AOG 2812, 13335; AOG 2813, 13338; AOG 3554, 13339; AOG 3555, 13340; AOG 3556, 13341; AOG 3557, 13342;

AOG 3558, 13343).

. . ."

The evidence contains a number of instances of somewhat similar character where transportation practices were varied to secure business by a refiner. Some of these appear to be related to price concessions which are discussed in the next chapter.

CHAPTER VII

THE USE OF PRICE CONCESSIONS AND OTHER ALLOWANCES BY EASTERN REFINERS

1. Principal Types of Concessions

The evidence reviewed earlier in this report relating to the price structure of the refined sugar trade in Eastern Canada establishes that the list prices of the three refiners have been uniformly the same at almost all times, that the differential prices for the different types and packages of sugar have been uniform in almost all cases among the three refiners and that by the use of a common system of what were termed equalized rates the list price of sugar for delivery at any point was also the same for the three refiners.

The evidence also indicates that for all practical purposes no quality differences are recognized in the sugar produced by the three refiners, so that other factors such as service or differences in costs because of method of delivery or unit of sale (e.g. number of bags at carlot price) have great importance in the placing of sugar business by customers. Consequently a difference in cost to the buyer of even a small percentage of the price will ordinarily be sufficient to attract sugar business from one refinery to another.

A distinction may be made between concessions or allowances made by a refinery to put its shipments on equal terms with those from another refinery and concessions or allowances which result in the buyer paying less for sugar than would be the case if he purchased at list price. For example, shipments from the refinery at Saint John to Eastern Canada are made by rail and certain customers in the Montreal area who had railway sidings could have carlots of sugar delivered from Saint John at the Montreal base price. This meant that the cost of the sugar on the railway siding in Montreal was less than the cost of sugar delivered from the Montreal refinery on which local cartage was charged. In some cases, therefore, sugar was offered from the Montreal refineries without a charge for local cartage in order to be on equal terms with sugar shipped by rail. The number of sugar customers in Montreal with railway sidings and interested in buying in carload quantities appears to have been relatively few, probably less than ten, and not all of these appear to have been sold on a cartage-free basis by one or other of the Montreal refiners.

By September, 1953 St. Lawrence had eight such customers but the number had varied during the period from 1950 and cartage allowances had been granted irregularly (Evidence, p. 1183). On the other hand, in some localities the cost of shipping sugar by motor transport in smaller lots than the minimum railway carload meant that a larger part of the freight cost had to be absorbed on shipments from Saint John in order to supply sugar to the customer at no greater cost than that resulting from motor transport from Montreal.

Apart from concessions or allowances to equalize transportation factors, reductions in prices have been made to provide one or more buyers with a lower cost than that which was available when buying at list price. The evidence indicates that such reductions in prices, or "cuts" as they have generally been called, have been given on a selective basis by the refiners. A degree of selection is, of course, almost implicit in the term concession because a price concession on a general basis would amount to a reduction of the list price and the refiners in Eastern Canada have been careful to distinguish between a "reduction" in price and a "cut" in price, the latter being given only to selected customers or in designated areas. Concessions by way of a price cut, free delivery or freight allowance appear usually to have been given on an individual basis to selected customers but there are some instances shown by the evidence when the concession has been offered to a class of buyer, e.g. jobbers in a particular market area or to manufacturers in designated districts buying in specified minimum quantities. The distinction recognized by sugar refiners between a reduction in price and a concession is clearly indicated in the following portion of Mr. W. J. McGregor's evidence when he was questioned by counsel for C. & D.:

"Q. Then, in connection with 11616, AOG 2369, that is a teletype from Mr. Eamer to Mr. Russell with a copy to you, and it refers to a night message from your Winnipeg agents:

> 'St. Lawrence declined 10 cents, effective this morning. Your message of late yesterday reported that they were cutting 10 cents in Montreal.'

Is that two different things: a decline of 10 cents and a cut of 10 cents in Montreal?

A. It is a very distinct difference -- a cut does not affect the price of anything but the grade you are cutting on.

Q. And the area you are cutting in?

A. I said the area you are cutting in."

(Evidence, pp. 549-50)

It will be recalled that beet sugar is usually sold at a price lower than that of cane sugar. The differential for beet sugar is not usually considered as a concession or allowance in the sense that these terms are used in this section, but, on occasion, C. & D. has offered beet sugar to some customers at a lesser price than the list price for beet sugar, and in such a case it would be considered that a cut in price was being made for beet sugar.

The following description of the reasons for the giving of concessions by eastern refiners, which was included in the Statement of Evidence, was not questioned before the Commission and appears to embrace the principal situations:

"668. Concessions by way of price cut or free delivery have apparently been given for one of four reasons:-

(1) To increase the amount of business being obtained by the giver of the concession;

(2) To combat competition from Cuban refined sugar;

(3) To meet a concession being offered by another refiner;

(4) To dispose of off-standard sugar."

Under the fourth reason, quoted above, could be included concessions given to stimulate the disposal of sugar held at a particular location, such as the Lakehead, which might tend to harden if kept in storage for an extended period. It would appear that concessions made because of storage or quality problems have been rather limited and have not been an important factor in price variations.

One part of the written returns of information furnished by the eastern refiners to the Director dealt with concessions given in the period following December 1, 1949 to 1955. C. & D. and St. Lawrence were able to give detailed information about individual concessions and the period each was in effect during the period. Acadia-Atlantic did not furnish such details but gave the annual value of concessions and the poundage of sugar sold at a concession to Coca-Cola Limited. During the hearing before the Commission Acadia-Atlantic gave for the period 1952 to 1957 the poundage of sugar sold at concessions outside the Maritime Provinces.

When concessions have been given by eastern refiners they have usually been by way of a reduction of 5 cents or 10 cents per 100 lb. from the current list price of sugar or by way of free delivery or a reduction in the charge per 100 lb. for the delivery of sugar. During the period when Cuban sugar was being sold in Ontario reductions on a larger scale were made in some instances.

Controls on sugar distribution which had been imposed under wartime regulations were not fully removed until the end of March, 1950. Within a short time after the removal of controls over sugar distribution the Korean War broke out and this led for a time to a strong demand for sugar. So far as the evidence shows there were relatively few concessions given by eastern refiners for some time after the start of the Korean boom.

In the case of Acadia-Atlantic the controls over sugar distribution which had been established under wartime regulations had excluded sugar from the Saint John refinery from the Montreal market because of the relative costs of transportation to that market as compared with other market areas served by rail. When the distribution controls were removed in March, 1950 Acadia-Atlantic sugar had been out of the Montreal market for eleven years and in re-entering that market Acadia-Atlantic had the handicap, previously mentioned, of making shipments by rail from Saint John whereas the other two refiners in Montreal could make local deliveries directly from their plants.

In the other large market area, Toronto, the two Montreal refiners are able to provide quicker service on large orders for sugar because of the shorter distance compared with Saint John and the greater use of motor transport. The situation was described as follows in the evidence of Mr. McIntosh, Toronto manager for Atlantic-Acadia Sugar Sales when commenting on a concession of 5 cents per 100 lb. on 1,000 bag cars of sugar:

> "A. I would say that, by and large, that this concession of ours has been a basis on which to encourage business in our large cars -- we receive the benefit of a lower freight rate from the railway by shipping in those cars -- we are facing a superior service of two competitors, St. Lawrence and Canada and Dominion -- they are here with a twenty-four hour service in carload lots, and we feel that the original basis to get a good share of the market here was to have something to compensate for the superior service of two competitors -- we have to ship from the Maritimes -- it means practically a week's run whereas they are doing both the twenty-four hour service -- we have been able to retain a good share or at least a reasonable share of the market here by

> something such as this fifty ton car to compensate for the superior service of competitors -- I think probably that is the basis of our concession on fifty ton cars; they are competitive; that is strictly a price proposition -- we do feel it is necessary to have something to keep the Maritime industry operating in this market, being from the geographical standpoint much at a disadvantage on direct shipments."
>
> (Evidence, pp. 366-67)

2. Manner in Which Concessions Given and Withdrawn

As might be expected, the giving of a concession has been regarded as part of the price policy of the refiner and thus determined at the senior level of management. Sales representatives of the refiners could not give a concession to meet competition unless authorization had previously been given to make a concession equal to that being given by a competitor.

On October 28, 1953, Mr. Russell of C. & D. sent the following message to Mr. R. A. Eamer of the same company at Chatham:

> " MR LOCKINGTON OF QUAKER OATS PHONED THIS ORXX MORNING TELLIM [sic] ME AGAIN THAT LANTIC REPRESENTATIVE OFFERED HIM YESTERDAY A CAR OF VERIFINE AT 8.13 NET. THIS AS YOU WILL NOTE IS A 5 CENT CUT. I DID NOT GIVE QUAKER OATS THE 5 CENTS ON THEIR LAST CAR ALTHOUGH LOCKINGTON INTIMATED HE COULD GET IT. TODAY HE PUT THE QUESTION BLUNTLY AS TO WHETHER WE COULD SELL HIM A CAR AT 8.13 AND AS HE WAS NOT IN SUCH A RUSH FOR DELIVERY HE COULD EASILY ORDER FROM SAINT JOHN. I CERTAINLY APPRECIATED HIM GIVING US THE REFUSAL OF THIS BUSINESS AND THANKED HIM FOR SAME. I AGREED TO TAKE THIS CAR AS I DO NOT SEE WHY WE SHOULD LOSE THIS ACCOUNT FOR THE SAKE OF THE 1000 BAG MINIMUM. ALTHOUGH OUR COMPETITOR STARTED THIS EVIDENTLY THEY ARE NOT ADHEREING [sic] TO IT IN ALL CASES. THIS CAR BEING FOR VERIFINE WAS ANOTHER REASON WHY I FELT WE SHOULD ACCEPT THE BUSINESS."
>
> (AOG 3516, 13204)

Mr. Eamer sent the following message in reply:

"YOUR SC418 AND I SUGGEST YOU DO NOT EXTEND WHAT YOU HAVE DONE TO ANY OTHERS. WRITING YOU TODAY."

(AOG 3518, 13206)

When asked about this exchange of messages, Mr. Russell testified:

"A. Well, I think I remember this occasion when I sort of got checked up for having exceeded my authority in granting a cut, but I know Quaker Oats was an account we were having stiff competition and we were particularly anxious to move the type of sugar that they used at that time -- I remember taking an order from them for a carload and receiving that mild reprimand."

(Evidence, p. 255)

An example of the manner in which a concession was established is the following internal price bulletin of C. & D. dated June 13, 1952, when competition from refined sugar imported from Cuba was being encountered:

"<u>RE: CUT - CANADIAN CANNERS - WAGSTAFFES</u>

In order to meet Cuban competition, we have offered Canadian Canners Ltd. and Wagstaffes, Redpath standard fine granulated sugar in either cotton or paper 100 pound bags at a cut of 10¢ per 100 pounds under the present Redpath price. This price applies on a minimum order of 40,000 pounds and is applicable to any of their Ontario plants west of Toronto. The 10¢ cut does not apply on Canners thermophree sugar which will be invoiced at the full list price.

In the event truck shipment is used and it is difficult to obtain trucks to carry 40,000 pounds, we will quietly ship 30,000 pounds.

In the case of Hamilton city, if rail cars are shipped, the total minimum must be 60,000 pounds including all grades, however, the minimum for regular fine in the car must be 40,000 pounds."

(AOG 325, 15707)

The concessions made at this time were subject to withdrawal at any time there was a general price change, as indicated by a C. & D. price bulletin for July 23, 1952:

"TORONTO, HAMILTON, KITCHENER, LONDON

Re: Special Cuts

All offices have been notified to-day that in case of either an advance or decline in the list price, all the special cuts authorized are to be automatically cancelled and each case will be reconsidered on the basis of conditions prevailing at that time."

(AOG 309, 15691)

The concessions given by St. Lawrence during this period were made in much the same manner, as shown by a memorandum of June 19, 1952 from Mr. J. R. Crawford to Messrs. W. T. McLean and H. M. Smith of the same company:

"We have decided, effective immediately, to give a 10 cent concession on Fine Cotton and Paper to the following customers, on 40,000 lb. orders or more.

If trucks cannot take this quantity from Montreal the alternative would be for the customer to take a car of Sugar which, of course, is 60,000 lbs.

Christie Brown & Co. Limited
Adams Brands (If they take Fine)
Wethey's Limited
Matthew Wells Co. Ltd., Guelph
McCormick's Limited
Silverwood's Limited

As this concession is being given to meet Cuban competition it is important that telegrams be forwarded immediately and that they are perfectly clear in their meaning as to what the concession actually consists of."

(ANH 1935, 9003)

3. Concessions during Period of Cuban Competition

The outbreak of the Korean War in June, 1950 caused an immediate rise in prices on the world sugar market. The average spot price of Cuban raws, which was $4.62 per 100 lb. in January, 1950 and $4.21 in June, 1950, rose to $4.89 in July and $5.831 in August, reaching a peak in September when the average price was $5.881. A slight decline occurred in October with a further decline in November. The average price in December, 1950 was $5.355. World prices of raw fluctuated upward and downward in the first quarter of 1951, with a high of $5.65 in January and a low of $4.75 in February. Prices advanced almost to the January high in March and in the latter part of April a very rapid advance in prices began which reached a peak of $8.05 about mid-June, 1951. Immediately thereafter world prices of raw sugar began an abrupt decline so that the average price in August, 1951 was $5.61 and by December, 1951 had declined further to $4.84.

The trend of world raw sugar prices during 1952 was downward with infrequent interruptions in the persistent decline so that there was a fall in the average spot price from $4.542 in January to $3.835 in December. The decline in prices continued until the end of March, 1953 when a low of $3.13 was reached. There was some recovery in prices from April to June, 1953 but prices were back to the March low by October, 1953. During 1954 the world raw spot price ranged between $3.05 and $3.43.

Imports of refined sugar, particularly from Cuba, began to enter Canada in significant quantities by March, 1952. The table below gives the monthly importations of refined sugar during the years 1952, 1953 and 1954:

Table 15

Imports of Refined Sugar, by Month, 1952-54

(thousands of pounds)

	1952	1953	1954
January	40	3,445	-
February	340	5,591	1,388
March	2,320	4,953	1,424
April	4,335	1,166	178
May	3,452	6,048	260
June	1,235	491	2
July	4,565	376	25
August	2,220	121	60
September	2,685	508	24
October	9,242	672	1
November	2,840	465	-
December	595	308	-
Total	33,869	24,144	3,362

Source: Dominion Bureau of Statistics, Trade of Canada.

The offering of Cuban refined sugar on the Canadian market was first made during the period when Canadian refiners were in the process of adjusting their prices to the situation resulting from the abrupt decline in the world price of raw sugar in the latter half of 1951. The position is described in the following way in the Statement of Evidence:

> "606. . . . As has been mentioned, in 1951 the price of raw sugars went very high and then dropped off sharply. The refiners in eastern Canada were at the time buying their raw sugars through the Central Agency. The two Montreal refiners required stocks of raw sugar to be laid in before the close of navigation to carry them through the winter and consequently were forced to put these sugars into their warehouses before the cheaper 1952, new crop raws, could be obtained. In addition, with the coming on the market of the 1952 crop of Cuban raw sugars the world market was one in which supplies were freely available. The period of post war shortages of supply had ended.

607. Early in 1952 the situation was, therefore, that the Montreal refiners still had some high price raw sugars to sell as refined and the world price of raws was substantially lower than the cost to the refiners of these raws. Because Acadia-Atlantic was pooling its purchases, on a cost basis, with the other two refiners it was not in a position to get as great an advantage over them as otherwise would have been possible - and in the short-run - almost inevitable.

608. In February 1952, Cuban refined sugar was offered in Newfoundland and Ontario. This sugar was sold in 100 lb. bags of granulated sugar and the price at which it was offered was substantially lower than the prices being charged for Canadian refined. Thus is was reported on February 18 from London, Ontario that Cuban refined was being offered at $9.40 per 100 lbs., compared with $10.04 per 100 lbs. for the Canadian product (AND 508, 4795).

609. With Montreal as a basing point Canadian refined sold in Ontario at the Montreal price plus the cost of freight. Thus as the location of the sugar buyer became the more remote from Montreal the effective price went up and the market became more attractive to outsiders. Cuban sugar could come up the St. Lawrence by water or in the periods of closed navigation could be brought in by rail from the Eastern Coast of the United States and the evidence shows that from time to time both of these routes were used. The evidence also shows that the Cuban sugar sellers tended to concentrate their attention on the territory in Ontario from Toronto west - or in other words in the same territory as that in which the Ontario beet sugar production of C. & D. was ordinarily sold.

610. It was another feature of the Cuban refined sugar situation that it was more attractive to manufacturers than to wholesalers. Whereas wholesalers must ordinarily supply their customers with sugar in a number of forms and in packages of varying sizes, manufacturers are in the market for large quantities of granulated sugar in 100 lb. bags and will buy this if the price is right."

The entrance of Cuban refined sugar into the Canadian market was a matter of grave concern to the eastern refiners and, as is described elsewhere in this report, steps were taken which led to the withdrawal of Cuban refined sugar from the Canadian market. In this connection there were discussions and the exchange of views among the eastern refiners and these included such points as possible concessions which might be made to meet the competition of Cuban refined sugar. As the latter sugar was purchased largely by firms

in the area where beet sugar produced by C. & D. was sold, C. & D. was active in proposing means to meet the situation and some company memoranda setting out its views were sent to St. Lawrence and presumably to Acadia-Atlantic. Mr. Crawford of St. Lawrence gave the following evidence:

"Q. Was it usual for you to get suggestions from Canada and Dominion that certain reductions should be made to meet the Cuban competition?

A. You can see they sent us memoranda and apparently insisted on circulating these to the other members of the industry. It was not common. I never discussed these things as far as I can remember, but we did have a common problem, you cannot deny that, and in 1952 we had been instructed to purchase 75,000 tons of Cuban, almost a like quantity of Santo Domingo, starting with 1951 and we certainly were very much surprised to learn that we should also be faced with competition of the exporting country's refined products. So it became a common problem. We were all instructed jointly to purchase the Cuban raws and Santo Domingo raws and we had a common problem and were trying to solve it."

(Evidence, p. 1170)

The following evidence was given by Mr. Seidensticker of Acadia-Atlantic:

"Q. Did you say a moment ago that the matter of Cuban refined was the subject matter of discussion among the refiners?

A. Oh, I think it must have been.

Q. Was the subject of price cuts or concessions to be granted to meet Cuban refined the subject of discussion?

A. I cannot focus on any particular, but I would say very likely it did come up. I would say that would be largely within the compound of our sales department."

(Evidence, p. 936)

Mr. McGregor of C. & D. testified:

"Q. Has the question of Cuban refined being sold in Canada

been the subject of discussion between yourself and the individuals [Messrs. McConnell, Crawford and Seidensticker] you have named?

A. I will say it has.

Q. Has the subject of specific cuts in price to meet that competition been the subject of discussion?

A. There may have been some discussion, but I do not believe I can recall the cuts to meet that competition -- in fact, you could not cut the price to meet it."

(Evidence, pp. 485-86)

A memorandum dated April 28, 1952, which was not addressed and did not indicate its author, found in the files of C. & D. at Chatham contains the following:

" . . .

(1) It would seem advisable to reduce the list price 40¢ to $9.05 less 5 per cent, or $8.60 net Montreal, cotton basis. While this price is about 18¢ above the estimated Cuban refined price at Montreal, it would seem unwise to reduce the list more than 40¢ until the trade express their reaction.

(2) The Toronto and Hamilton price would be $9.05, plus equalized 45¢ or $9.50 less 5 per cent, or $9.02 net, cotton basis. Comparing this with the estimated Cuban refined price at Toronto and Hamilton, shows that Cuban can be laid down 25¢ cheaper. Western Ontario points are likely to be more vulnerable than elsewhere owing to the high freight rates from St. John and Montreal. Therefore, rather than sacrifice the margin in other districts, it would seem prudent to cut the price 5¢ to 10¢ on cane sugar in Western Ontario where necessary to meet Cuban, keeping in mind that beet sugar will be selling 10¢ below Canadian cane sugar. Similar action can be taken in Newfoundland.

(3) In pursuing a careful policy as outlined above, it will give an opportunity to assess the reaction of the trade and to learn whether the freight on Cuban refined to Montreal goes below $1.00. There is also the question of bottoms to bring Cuban refined to Montreal and St. John. It is doubtful whether the trade generally would buy Cuban refined if it were selling only 10¢ to 15¢ below Canadian refined, cane or beet. There is always the possibility of a strike at the

U.S. seaboards or other interruptions in delivery of Cuban refined."

(AOG 4006A-08, 11766-68)

A copy of this memorandum, similar in all respects except that it did not include an opening sentence reading "This memorandum applies only to 100-lb. bags in meeting Cuban refined competition", was found at the Atlantic-Acadia Sugar Sales office in Montreal (AND 2091GG-92HH, 4913-14). Mr. W. A. Thompson, Sales Manager of Atlantic-Acadia Sugar Sales, was asked about the memorandum and his evidence includes the following:

"Q. Do you recall from whom you received the document AND 2091?

A. I recall that document; I have a hazy idea about it, because -- I don't know where it came from or who compiled it. I cannot recall just where it came from. But I must have had it in my hands, because I worked out the price. 'Simcoe' -- I worked out the price, apparently. Apparently Cuban refined was a common problem among refiners. It was discussed at length at that time."

(Evidence, p. 751)

The basis price of refined sugar at Montreal reached a peak of $10.80 in June, 1951 and after six price decreases reached a price of $9.45 on April 8, 1952. A further reduction amounting to 40 cents became effective on May 1, 1952.

Reduced prices to certain canning companies in Ontario were offered by C. & D. on June 13, 1952 under conditions set out in the price bulletin already quoted. St. Lawrence offered similar concessions to certain manufacturers in Ontario on June 19, 1952, according to a company document of this date which has also been cited previously. The returns of information of St. Lawrence and C. & D. show that reductions to additional customers to meet Cuban competition were made during June and that on June 25 both companies reduced the prices of certain classes of sugar by 10 cents on shipments to Newfoundland where competition from imported sugar was also experienced and in which market Acadia-Atlantic was reported to have made such a reduction previously.

During July, 1952 both St. Lawrence and C. & D., according to their returns of information, extended concessions to additional customers in Ontario and, in one case, C. & D. enlarged the concession to one customer to 20 cents (AOG 310, 15692). On July 28,

1952 the basis price of sugar at Montreal declined by 15 cents but St. Lawrence sent the following instructions to its Toronto office:

> " . . .
>
> Price Change
>
> We wired you this morning advice of a decline in our price of 15¢, per 100 lbs. to a basis of $8.90.
>
> In our wire, we advised you the concession of 10¢ on fine granulated in cotton and paper, will still apply."
>
> (ANH 2091, 9029)

The first price bulletin of C. & D. dated July 28, 1952 stated "All special cuts to meet Cuban competition have been withdrawn" (AOG 307, 15689) but a second price bulletin of the same date listed 14 industrial accounts in the Toronto, Hamilton, London and Chatham territories to which a special cut of 10 cents per 100 lb. on Redpath fine granulated had been authorized. This bulletin stated that the concessions were "to be withdrawn simultaneously with any change in the market either up or down" (AOG 306, 15688).

The same procedure was followed by C. & D. when further reductions in the basis price were made on August 5 and September 18, 1952 and the number of concessions increased as the year went on. The concessions made by C. & D. to meet Cuban competition were continued until January 12, 1953 when the basis price was lowered and all price concessions were withdrawn. Again, however, concessions were immediately extended to a number of industrial accounts in Ontario and additional concessions were given during January, February and March but all concessions were withdrawn on March 20, 1953. St. Lawrence had withdrawn its 10 cents concession on November 7, 1952 and its return does not show concessions to any number of Ontario accounts until March 24, 1953.

In the latter part of 1952 a number of concessions were being given, particularly by C. & D., which did not appear to be related to the competition of Cuban refined sugar.

Early in 1953 the Cubans undertook not to export refined sugar into the beet sugar areas in Canada if there were direct purchases of raw sugar from Cuba by Canadian refiners. As shown by the trade figures for refined sugar given in Table 15, imports were greatly reduced in June, 1953 and remained small for the rest of the year. Concessions to meet Cuban competition appear to have been withdrawn by eastern refiners early in June, 1953.

4. <u>Attitude of Refiners towards Competitive Concessions</u>

The evidence already reviewed in regard to the granting of concessions by eastern refiners gives some indication of the variety of circumstances under which departures have been made from the then current list prices. With the exception of some instances during the period when there were significant imports of Cuban refined sugar the size of the individual concession granted has been generally limited to not more than 10 cents per 100 lb. and has often been 5 cents. For the reasons already given these small concessions have been effective in securing business for the refiner giving them and, therefore, have been a matter of close concern by other refiners. In almost all instances, it appears, the refiners have known when concessions were given by any of them and generally all have been aware of the amount or nature of the concession. The opportunity for one refiner to meet or better a concession given by another, in such circumstances, has seldom been absent and the evidence, of course, shows many instances when action to meet such competition has been taken. On the other hand, the evidence in the inquiry also shows many instances when a concession made by one refiner, although known to the others, has not been met or has been met by only one of the other two refiners.

In May, 1950 C. & D. branches in Hamilton, Toronto and London were asked to report to the Chatham office on all concessions being given by the other two refiners in their respective territories. The reports submitted indicated that very few concessions were being given. The Toronto branch reported that 5 cents was being allowed on sugar stored since the previous fall in the steamship company warehouse and which had become hard. The report stated in this connection, "The St. Lawrence sugar company are giving the same concession. This, we understand, was arranged in Montreal and agreed upon by Mr. Russell and Mr. McLean" (AOG 1448B-49, 11274-75). Mr. G. M. Russell was Assistant General Manager of the Montreal Division of C. & D. and Mr. W. T. McLean was Sales Manager of St. Lawrence in Montreal.

In the summer of 1951 C. & D. refined cane sugar at its Wallaceburg refinery and offered this sugar at a differential of 7 cents per 100 lb. below Redpath sugar in carlots and at a reduction of 5 cents in smaller quantities. Some customers of St. Lawrence purchased this sugar at the reduced prices and in a letter of August 15, 1951 to St. Lawrence in Montreal Mr. Johnston, the company's Toronto agent, reported:

> " . . .
>
> We are definitely losing considerable business through this Wallaceburg situation, as I have already mentioned to

you. I am surprised we have received as much business as we have under the circumstances, as there is no answer that I know of to give the trade when this matter is brought up - which is often. When the competition was beet, we could at least talk about the advantages of cane. Now, I do not know of any arguments to meet this situation.

. . ."

(AOI 523A-25C, 10846-48)

Mr. Johnston asked whether he could lower the price of St. Lawrence sugar to meet the competition but was instructed that the lower price could not be met (AOI 519, 10849). In a letter of August 31, 1951 to a prospective customer St. Lawrence wrote that it understood that the lower-priced cane sugar from Wallaceburg had been withdrawn from Toronto and Hamilton (AOI 485, 10854).

Commencing on or about December 10, 1951 St. Lawrence began to offer a concession of 5 cents per 100 lb. to a number of accounts in Quebec and on December 11 the company offered a similar concession to accounts in Toronto and Hamilton. By December 15, 1951 St. Lawrence offered the 5 cents concession to all accounts and on January 14, 1952 the price concession was increased to 10 cents. On January 25, 1952 when the basis price of sugar was lowered St. Lawrence withdrew its price concession. During the period when St. Lawrence was making a concession, first of 5 cents and later of 10 cents, on an extensive scale there is no indication in the return of information made by C. & D. that the latter company attempted to meet the competition of St. Lawrence. The Winnipeg agent of Atlantic-Acadia Sugar Sales informed the latter of the price concession offered by St. Lawrence in the Winnipeg market but acknowledged advice that the competition would not be met, in a letter dated December 24, 1951:

"We tried to reach you by 'phone a few days ago but owing to the storm having disrupted service, we were not able to reach you. This is in reference to the competition that has arisen from St. Lawrence who are giving a 5¢ concession. This is being done in a confidential way and has affected our business, we having lost a couple of cars of Sugar a few days ago.

We have your reply this morning advising that you are not inclined towards meeting the situation.

. . ."

(AND 847, 4674)

On June 17, 1952 Mr. W. T. McLean of St. Lawrence wrote a memorandum to Mr. J. W. McConnell of the same company as follows:

"Particulars of message received by Can. & Dom. Sugar Co. from their Toronto office.

We think Wrigley's bought Cubans last week. They gave us to understand that Cubans can be bought less than $8.80 net F.O.B. Toronto, Cotton bags, but would not divulge exact price.

Our price is $9.02 net delivered Toronto, Cotton bags.

Christie Brown were quoted yesterday $8.79 net F.O.B. Toronto, Cotton bags. They say our price delivered Redpath Paper bags at $8.88 net delivered is too high. They recover 19¢ for empty Cotton bags.

From conversation with their buyer today, we feel quite certain he is going to buy more Cubans at once.

Mr. McGregor is in town. He thinks some Eastern refinery should cut its price to these two accounts at once, 10¢ per bag, preferably their own refinery because they are behind."

(ANH 1938A, 8998)

According to its return of information C. & D. gave a concession of 10 cents to Wm. Wrigley Jr. Co. Ltd., Toronto on June 19 and Christic Brown & Co. Limited was included among accounts to which St. Lawrence gave a similar concession on the same date (ANH 1935, 9003).

The granting of a concession, particularly on a wide scale, appears to have been considered as likely to produce an increase in business for the refiner initiating the reduction without its effect being offset by equally widespread concessions on the part of other refiners. Some evidence of Mr. Eamer of C. & D. is relevant to this point:

"Q. This document is ANF 385EE, serial number 170, teletyped from yourself to Mr. Russell of October 29, 1952. It reads:

'Mr. McGregor wants some more business in Montreal and has authorized a cut of 5 cents. Naturally he prefers to cut where we are not now cutting but if it will get us any business you can make an additional cut of 5 cents. Suggest you go over the situation carefully with Tom and act on this immediately as it is imperative that we increase our sales without further delay. Post me on what you do.'

Generally speaking, did you find it was easy to increase your business by putting cuts into effect?

A. Sometimes it was and sometimes it was not, dependent on conditions prevailing.

Q. Will you explain?

A. It might be the competitors were cutting and we were meeting a cut. In that case you would not expect to get as much as if you were lower than they were.

Q. You say Mr. McGregor wants some more business in Montreal and has authorized a cut of 5 cents?

A. Yes.

Q. Would that cut of 5 cents such as you are speaking of here, usually be sufficient to produce more business?

A. If it was widespread enough, yes, and conditions were fairly normal.

Q. Conditions were normal and the cut would increase your business?

A. Yes.

Q. Has it been your experience that by putting cuts into effect and withdrawing them you can control your total volume of business fairly well?

A. Yes, I would say to a degree, yes.

Q. Did you ever find that putting cuts into effect led to a price war?

A. I cannot recall any occasion at the moment.

Q. Can you recall any occasion when cuts or concessions led to a reduction in [basis] price by any refinery?

A. No, I cannot."

(Evidence, pp. 1356-58)

Whereas, as already mentioned, St. Lawrence had made widespread concessions in December, 1951 and January, 1952 which were not met by the other two refiners, so in October, 1952 C. & D., as indicated in the memorandum cited in Mr. Eamer's evidence quoted above, was considering giving a concession on a fairly wide basis in the Montreal area. At this time C. & D. was giving concessions in Ontario in attempts to meet Cuban competition but the concession proposed in the Montreal territory was not related apparently to competition from imported sugar, according to the following comment in a teletype message of October 29 from Mr. Russell to Mr. Eamer, both of the C. & D. company: "PRESUME 5 CENT CUT WOULD BE OFFERED ON ALL GRADES, NOT FINE ONLY AS THIS IS NOT RELATED DIRECTLY TO CUBAN COMPETITION" (ANF 384DD, 171).

St. Lawrence withdrew the concessions it had been giving in the face of Cuban competition on November 7, 1952. Mr. Crawford of St. Lawrence gave the instructions in the following memorandum dated November 6, 1952:

> "As of this date please discontinue everywhere the ten cent allowance now being given on Fine Cotton 100's, and advise all Agents accordingly.
>
> The situation at the head of the Lakes requires special study until we dispose of our Medium Sugar which is stated by our Agents to be hard. In this connection I would suggest that Mr. McLean write our Agents at Winnipeg requesting them to push the sugar out as quickly as possible as we likely will have to withdraw our special concession there."

(ANH 1931, 9142)

On November 12, 1952 C. & D. gave to a number of accounts in Quebec and in the Ottawa territory the concession proposed in October. On November 14 St. Lawrence withdrew allowances for cartage which it had been giving to some accounts in the Montreal territory. In a memorandum of November 14, 1952 from Mr. J. R. Crawford to Mr. W. T. McLean, both of St. Lawrence, the decision is reported as follows:

"Following our conversation of today this concession which was introduced to attract business we formerly had from the above customers, which we found was going to competitors who placed carload quantities on customers' sidings at no expense to the customer, is to be withdrawn immediately. Our inventory position requires to be examined to see if we have enough sugar to last until the opening of navigation at the end of April, 1953."

(ANH 1928, 9160)

Inventories of raw and refined sugar held by St. Lawrence during the winters of 1950-51, 1951-52 and 1952-53 were as follows:

	1950-51	1951-52	1952-53
Nov. 1	68,998,159	101,380,776	70,387,278
Dec. 1	89,260,232	91,015,044	88,889,033
Jan. 1	80,717,108	75,539,449	77,797,775
Feb. 1	66,425,898	57,224,215	65,519,887

Toward the end of November and in December, 1952 C. & D. increased the number of accounts in Quebec to which the concession of 5 cents was given.

On January 5, 1953 St. Lawrence reviewed its sales and inventory position and a statement setting out the comparative figures for 1952 and 1951 also has comments over the initials of Mr. Crawford:

"1952 TOTAL SALES, REFINED	237,885,182 lbs.	
1951 " " "	188,070,990 "	
Increase	49,814,192 "	
STOCKS ON HAND	December 31st 1952	December 31st, 1951
Refined	31,092,985 lbs.	25,600,000 lbs.
Raw 46,791,175 lbs. x 95% .	44,451,616 "	50,525,000 @ 95% 48,000,000
	75,544,601 lbs.	73,600,000lbs.
Estimated Deliveries from January 1st to April 30th, 1953 based on 1952	67,540,000 "	
Balance on hand April 30th, 1953	8,004,601	

If competition becomes very keen and competitors are determined to push sales at cut prices, it is quite likely that our sales will be reduced by between 5 and 10 million lbs., Taking the figure 5,000,000 lbs. this would leave us with a stock on hand of 13,000,000 lbs. of Refined after assuming that sales are maintained at last year's level, which were above average. However, it should be noted that for the first four months of 1952 our sales were somewhat restricted due to a shortage of certain items."

(ANH 2507, 9768)

When the basis price of sugar was reduced on January 12, 1953 C. & D. withdrew all concessions but immediately reinstated allowances to a number of accounts in Montreal, including free delivery to some accounts. On January 27, 1953 St. Lawrence offered a concession of 5 cents to a number of accounts in Montreal and in the case of eight firms with railway sidings St. Lawrence offered free delivery to meet competition from railway shipments from Saint John. In February, 1953 both C. & D. and St. Lawrence granted a concession of 5 cents to some accounts in Quebec outside Montreal.

Early in June, 1953 the three eastern refiners withdrew a number of concessions. On June 5 St. Lawrence cancelled all price

concessions except free delivery to Montreal customers with railway sidings. On June 9 C. & D. withdrew all its price concessions in the Province of Quebec. On the same day Atlantic-Acadia Sugar Sales instructed its agents in Quebec City to withdraw a concession of 5 cents (AND 118, 5410) and on June 10 the following instructions were sent to agents in Toronto and Hamilton: "DUE TO INCREASED STRENGTH RAW SUGAR MARKET WITHDRAW TEN CENT SPECIAL ALLOWANCE" (AND 117, 5412).

The average monthly spot prices of Cuban raw sugar on world markets during the first six months of 1953 were as follows:

January	3.550
February	3.520
March	3.267
April	3.380
May	3.648
June	3.618

Source: Farr & Co., New York, Manual of Sugar Companies, 1954-55.

It will be recalled that steps had been taken by Cuban sugar authorities to withhold exports of refined sugar to the sugar beet areas in Canada and that imports of refined sugar into Canada dropped to a low level after May, 1953.

Apparently some time prior to July 31, 1953 Atlantic-Acadia Sugar Sales began to offer a concession of 5 cents per 100 lb. on shipments of 1,000 bag cars in the Toronto area, but C. & D. and St. Lawrence did not attempt to meet this competition on a price basis. The following comments on the situation were made in a letter of August 31, 1953 from the Montreal to the Hamilton office of C. & D.:

> "Thanks for your letter of August 26th reviewing the situation with regard to the Lantic 5¢ cut. It does certainly seem too bad to see this heavy volume getting away from us but we are just not prepared to meet it. I note you state that Canadian Canners, as far as you know, are not buying any St. Lawrence. We too have not heard of St. Lawrence meeting this cut, but please keep us advised if there should be any indication. . . ."

(ANF 672, 449)

C. & D. began offering a concession of 5 cents on 1,000 bag orders to the industrial trade in Ontario on September 18, 1953 but St. Lawrence did not meet this concession.

In a memorandum dated October 22, 1953 to Mr. J. R. Crawford of St. Lawrence Mr. W. T. McLean of the same company wrote:

> "G.M.R. called the writer this morning to advise that beginning yesterday, they have offered 5¢ Concession to industrial users in Montreal on orders of 100 bags or more.
>
> We have not heard of this Concession from any of our customers as yet."

(ANH 1552, 9660)

Mr. G. M. Russell of C. & D. was asked about this matter:

"Q. Do you recall telephoning St. Lawrence and advising them of other concessions?

A. No, as I say, it is not usual -- we usually find out these things through our customers telling us, and then we have on occasion checked with a competitor to see if it was right or not -- if this was true, I must have been very courteous."

(Evidence, p. 254)

The return of information made by C. & D. shows a concession of 5 cents on Redpath sugar was offered to the industrial trade in Quebec on October 20, 1953. No similar concession was given by St. Lawrence to meet this competitive situation. Another instance of exchange of information is indicated in a memorandum of April 2, 1954 to Mr. J. R. Crawford from Mr. H. M. Smith of St. Lawrence as follows:

> "Lantic rates on sugar to Toronto & Hamilton are:

1000 Bags	54¢
800 "	56¢
600 "	59¢

> They ship pool cars to sidings in Toronto & Hamilton. The railways deliver orders of 200 bags or more from the cars free of cartage. Sugar is invoiced at carload price of $7.57.
>
> Mr. Russell advises that he has given his agents instructions to deliver sugar from warehouse at the carload price of 7.57 net only on boat sugars. Sugar trucked

to storage @ the 49¢ rate to be invoiced at the warehouse price of $7.62. They have been shipping some pool cars."

(ANH 1487, 10015)

St. Lawrence did not give any concessions until December, 1953 when allowances were made to two accounts. In the meantime orders were being lost by St. Lawrence, according to a memorandum dated November 5, 1953 from Mr. J. R. Crawford to Mr. J. W. McConnell:

"In a letter received from Charles F. Johnston dated yesterday, he advises that our competitors are giving a 5 cent concession to certain of the trade and that he lost the following orders yesterday as a result of not meeting the reduction:-

Adams Brands	1,000 bags
Wm. Wrigley, Jr.,	1,600 "
Charles Wilson	1,000 "
Rowntree Company	1,000 "

Concessions are being given to certain of the trade in Montreal, and it is therefore likely that this will affect our sales during November and December to some extent. However, the impact should not be too serious as during these two months last year we only sold a total of 30 million lbs. If we maintain this volume in 1953, our sales will be 220 million lbs. as against 238 million last year, - a shrinkage of 18 million lbs.

October, 1953 held at last year's level of 22 million lbs."

(ANH 2509, 9671)

On December 11, 1953 Mr. J. R. Crawford wrote to Mr. C. F. Johnston, representative of St. Lawrence in Toronto, as follows:

"As you have stated in your letters there is a sharp falling-off in your business in Toronto, which is partly attributable to the fact that competitors are giving a 5-cent concession, and also that certain quantities were booked at the old price before the winter freight rates went into effect.

As far as we can discover, the concessions are not general and are only given to certain industrial buyers,

therefore the remainder of the field, except those who generally switch to beet purchasing at this time of year, are making their purchases at the full list price.

Would you please make a survey of the situation and, if possible, let us know how many of your customers are receiving concessions, including those who use beet, as it may be necessary for us to take action so that we may establish ourselves in your territory again without too much loss of time.

We give you herewith comparative sales for the month of November during 1952 and 1953:

1952	28,540 Bags
1953	21,607 "

This represents a decrease in volume of 25%, whereas in Montreal, where similar conditions obtain, the shrinkage is less than 4%."

(AOA 72, 16478)

Mr. Johnston's reply on December 17 included the following:

" . . .

When I begin to feel too rotten about things here, I have often during the past few months recalled your very kind remarks to me on your last visit here. You may remember that at that time I went over the accounts with you that were giving me concern and we discussed at some length the concessions which were being offered then by our competitors.

At that time you said to me something which I have found most encouraging since. You said: 'Please do not worry about not getting sufficient business under these conditions. After all, if we want the business sufficiently, we will give you the ammunition to get it. If we do not give you the ammunition, the decision and responsibility are ours at Head Office, nor [sic] yours.'

. . ."

(ANH 736B-740F, 9751-55)

During January, 1954, St. Lawrence gave concessions of 5 cents to a number of accounts in Ontario and Quebec and on January 14 the company's Toronto branch was authorized to allow this concession on all carload orders of 1,000 bags. These concessions were apparently continued until February 23, 1954 when the basis price was reduced. C. & D. also withdrew its concession of 5 cents on 1,000 bag cars in Ontario at the time of the price change in February. On March 23, 1953 St. Lawrence gave a concession of 5 cents in the Quebec City territory which was continued until May 14, 1954. The return of information made by C. & D. does not show any similar reduction in this territory during this period. On March 12, 1954 the following message was sent from the Chatham office of C. & D. to the Montreal office:

> "PLEASE CALL EMOND QUEBEC AND EXPLAIN TO HIM THAT WE ARE CLOSED DOWN AT PRESENT AWAITING RAW SUGARS AND IF OUR COMPETITORS ARE CUTTING WE WILL HAVE TO PASS UP THIS BUSINESS FOR THE NEXT COUPLE OF WEEKS UNTIL OUR RAW SUGARS ARRIVE. EMOND CAN EXPLAIN TO THE CUSTOMERS THAT UNTILL [sic] WE RESUME OPERATIONS WE JUST CAN'T MEET THIS CUT IN PRICES. MAKE UP THE BEST STORY YOU CAN AND TRY TO KEEP BOTH EMOND AND THE CUSTOMERS SATISFIED FOR THE NEXT COUPLE OF WEEKS."

(AOG 3109, 13684)

5. Total Amount of Concessions

The evidence in the inquiry does not show the total value of price concessions made by any of the eastern refiners in any year. The particulars of concessions given by C. & D. and St. Lawrence indicate that, except for the periods when competition was being experienced from imports of Cuban refined sugar, price concessions were generally given for limited periods of time and to a restricted number of accounts. The concession most frequently granted was 5 cents per 100 lb. and less frequently 10 cents. The basis price of sugar at Montreal during 1950 to 1955 ranged between a high of $10.80 and a low of $7.35. At the higher price a concession of 5 cents per 100 lb. would be a reduction of slightly less than ½ of 1 per cent and at the lower price a concession of 5 cents would be about 2/3 of 1 per cent. A price concession of 10 cents would, of course, be over 1 per cent at the lower price.

The amount of individual concessions usually granted and their limited nature suggest that in total they have represented a very

small reduction in any year of the total value of sugar at list prices. This conclusion is borne out by data which Acadia-Atlantic was able to furnish relating to deductions of all types. The figures furnished by Acadia-Atlantic embraced not only allowances which made an actual reduction below the list prices of Montreal refiners but also freight allowances made to bring delivered prices to the same basis as that offered on shipments from refineries in Montreal. In fact, the return made by Acadia-Atlantic indicates that the concessions given were largely of this nature during the period 1950-55. The return states with regard to a table showing the dollar amounts of concessions:

> "The above represents concessions to Wholesale Grocers, Manufacturers and Chain Stores, throughout certain sections of Ontario and Quebec provinces largely to meet transportation competition. (Lantic can make only direct shipments by the railroads from Saint John, N.B. in carload quantities and in many instances we have to equalize cost of delivery by rail versus smaller quantities at lower rates via truck by the Montreal Refiners.)
>
> Included in the above amounts are allowances, granted, to some extent, in the fall and winter months, to the trade in certain sections of Ontario and Quebec where Beet Sugar is sold at prices below Cane Sugar."

In addition to the general figures Acadia-Atlantic was also able to furnish the details of concessions given to certain large buyers. When all the figures are taken together, it is found that only in two years between 1950 and 1954 did the total amount of concessions, including the transportation allowances described above, exceed $50,000. The concessions given in these two years amounted to less than 1/4 of 1 per cent of the total value of sales of Acadia-Atlantic, and for other years, of course, the percentages would be lower.

During the hearing before the Commission a statement, Exhibit H-7, was filed on behalf of Acadia-Atlantic which gave poundage figures of "Sales at Concessions - Outside of Maritimes" for the years 1952-57. The following percentages were shown for sales at concessions as a proportion of all sales outside of the Maritimes:

1952 - 16.61%	1955 - 17.02%
1953 - 26.49%	1956 - 18.22%
1954 - 19.24%	1957 - 35.68%

Exhibit H-7 was stated to include sales made at concessions to Coca-Cola Ltd. which, as will be described in the following section, were largely made on a special basis during this period.

Subsequent to the hearing the Commission was furnished with details of the sales to Coca-Cola Ltd. at concessions which were included in Exhibit H-7. With this information it is possible to derive the proportions of sales made at concessions, excluding Coca-Cola business. These are:

1952 - 14.45%	1955 - 5.51%
1953 - 14.17%	1956 - 4.47%
1954 - 7.30%	1957 - 24.45%

It will be noted that in the period 1952-55 sales at concessions excluding those to Coca-Cola were made in largest proportion during the years 1952 and 1953 when there were imports of refined sugar from Cuba.

6. Concessions Given to Coca-Cola Ltd. in Ontario and Quebec

Coca-Cola Ltd. has a number of manufacturing plants at places in Eastern Canada, including Quebec, P.Q., Montreal, Ottawa, Toronto, Belleville, Kitchener, London and Windsor. The purchasing of sugar for a number of plants is centralized in the Toronto offices of the company and as the annual requirements run to many million pounds of sugar the orders for sugar placed by Coca-Cola Ltd. constitute a very substantial amount of business.

In 1953 and 1954 purchases of domestic sugar in Eastern Canada by Coca-Cola Ltd. for the cities reported amounted approximately to between 3 and 3½ per cent of the total sales of the three eastern refiners. As St. Lawrence made no sales to Coca-Cola Ltd. in the two years the purchases by Coca-Cola Ltd. amounted approximately to between 4 and 4½ per cent of the combined sales of C. & D. and Acadia-Atlantic, and as the latter had the larger part of the Coca-Cola business the proportion of its total sales made to Coca-Cola Ltd. was, of course, substantially higher.

In addition to the information about the terms on which sugar was supplied to Coca-Cola Ltd. which is contained in material from the records of the eastern refiners, there are particulars of sugar purchases for the Montreal, Toronto and London plants which were furnished in returns of information made by Coca-Cola Ltd. for the period 1950 to 1954. With respect to the three refiners, since April 29, 1950 Coca-Cola Ltd. has placed all orders, except one, for its Montreal plant with Atlantic-Acadia Sugar Sales. During the period Atlantic-Acadia Sugar Sales has allowed free delivery at Montreal on shipments to Coca-Cola Ltd. and since October 29, 1952 a price concession has been given in addition to the free delivery. Terms

of sale have been 3 per cent for 21 days, whereas the other refiners have terms of sale of 3 per cent for 14 days. The evidence in the inquiry does not show any efforts on the part of C. & D. or St. Lawrence to secure orders for the Montreal plant of Coca-Cola Ltd. by offering prices equal to or lower than those charged by Atlantic-Acadia Sugar Sales. Mr. Crawford of St. Lawrence gave evidence as to efforts made by his company to secure business from Coca-Cola Ltd.:

"Q. What is the position in respect to the Coca Cola Company?

A. Well, if I might refer you to the answer which I gave in the questionnaire -- I elaborated there very fully on what that situation was.

Q. Is that account handled by yourself personally?

A. Well, from time to time yes, but I have asked our Toronto agent to get in touch with Mr. Biggar and he has done so on many occasions without results. You will find that I say in the questionnaire that I called Mr. Biggar quite recently to try and get some of his business. He said that our prices were not good enough.

Q. Do you know what concessions they are getting from competitors?

A. I have asked them but they have never revealed it.

Q. Do you recall what maximum concession you have offered him?

A. I would like to refer you to the answers to the questionnaire, but I think that the maximum concession would be the equivalent cartage, that is, delivery on the siding.

Q. By truck or by rail?

A. By motor truck, yes. I may even have gone further, I may have even undertaken to ship it by car. If you would not mind I would like to see what I did say in my answer to the questionnaire. We had no success at all with the Coca Cola people."

(Evidence, p. 1174)

Purchases of domestic sugar by Coca-Cola Ltd. for its Toronto plant were not as large as for its Montreal plant but were still very substantial. According to the information furnished by Coca-Cola Ltd. it placed 38 orders for sugar for its Toronto plant with the eastern refiners in 1950, 23 with Atlantic-Acadia Sugar Sales, 14 with C. & D. and one with St. Lawrence. No concessions are shown on orders placed with C. & D. and St. Lawrence but Atlantic-Acadia Sugar Sales, as in the case of Montreal, offered more favourable terms of payment and after April 26, 1950 gave a price concession of 5 cents per 100 lb. which remained at this level until June, 1952 when it was increased to 10 cents at the time competition from Cuban refined sugar was being experienced.

In 1951 C. & D. received only two orders for the Toronto plant of Coca-Cola Ltd. and both appeared to have been accepted at the then list price. C. & D. did not receive any orders for the Toronto plant in 1952 and St. Lawrence had one order, the only one since 1950 and the only one in the years 1951 to 1954 inclusive. After having no orders in 1952, C. & D. received one order for the Toronto plant of Coca-Cola Ltd. in November, 1953, apparently on the basis of a price concession, and no orders in 1954 when all the orders were placed with Atlantic-Acadia Sugar Sales. On July 22, 1953 Atlantic-Acadia Sugar Sales reduced the concession on the Toronto business of Coca-Cola Ltd. from 10 cents to 5 cents per 100 lb. The concession remained at the latter rate until November 4, 1953 when it was increased to $7\frac{1}{2}$ cents and a year later on November 3, 1954 it was changed to $6\frac{1}{2}$ cents.

In each of the years 1952, 1953 and 1954 Coca-Cola Ltd. purchased some imported refined sugar for use in its Toronto plant. The largest amount shown was 15,077 bags in 1952.

The information furnished by Coca-Cola Ltd. for purchases of sugar from eastern refiners for its London plant shows that in 1950 the business was equally divided between Atlantic-Acadia Sugar Sales and C. & D., St. Lawrence not receiving any orders. In 1951 C. & D. received one order, and all the others were placed with Atlantic-Acadia Sugar Sales. In 1952 Atlantic-Acadia Sugar Sales received only one order for the London plant, in February, and during the rest of the year 9 orders were placed with C. & D. and 5 with St. Lawrence. In 1953 and 1954 all orders for its London plant were placed by Coca-Cola Ltd. with C. & D. The return of information made by C. & D. lists the following concessions to Coca-Cola Ltd. for its London plant: September 12, 1952 to March 20, 1953, 10 cents per 100 lb.; April 22, 1953 to November 16, 1953, 10 cents and thereafter a concession of 5 cents. Similar concessions were given by C. & D. for Coca-Cola business at Kitchener and Belleville and from May 13, 1953 to April 15, 1954 corresponding concessions were given on purchases for the Windsor plant. In the latter case the concession was changed to free

delivery in 1954.

The evidence in the inquiry indicates that the sales departments of C. & D. and St. Lawrence were active in attempting to secure orders for sugar from Coca-Cola Ltd. and on some occasions offered as favourable prices as Coca-Cola Ltd. was obtaining at the time from its current supplier, but not more advantageous prices which would give an incentive to the buyer to change from one supplier to another. On other occasions the prices offered would not be as favourable as Coca-Cola Ltd. was then receiving.

In June, 1950 Mr. G. M. Russell of C. & D. wrote to C. & D.'s representative in Toronto suggesting that he get in touch with the buyer for Coca-Cola Ltd. to see if an order for sugar could be secured for the Coca-Cola plant in Montreal as Mr. Russell believed that the order under which Lantic sugar was being supplied was about complete (ANJ 222, 6789). C. & D.'s Toronto representative replied that Coca-Cola Ltd. wanted a price for quantity which had not been offered by C. & D. and he wondered if Coca-Cola Ltd. was not receiving a concession on its current purchases of sugar (ANJ 221, 6791). At this time Atlantic-Acadia Sugar Sales was giving Coca-Cola Ltd. at Montreal a concession of 5 cents per 100 lb. in addition to the more favourable terms for payment of accounts.

Early in 1951 C. & D. was considering the sale of some sugar which had gone hard in storage at Toronto. A teletype message of March 9, 1951 from Mr. G. M. Russell to Mr. Eamer, both of C. & D., concerning this matter contained the following:

> " . . .
>
> . . . IT LOOKS AS IF WE MAY HAVE TO DO BOTH PROPOSALS, VIZ. OFFER 300 OR PERHAPS 200 BAG LOADS WITH FREE DELIVERY AND ALSO APPROACH COCA COLA WITH AN OFFER ON A SIZEABLE QUANTITY. WHAT IS YOUR REACTION?
>
> . . ."
>
> (ANJ 529D, 6916)

Mr. Eamer replied, in part, as follows:

> " . . .
>
> NOTE WHAT YOU SAY ABOUT COCA COLA BUT I WOULD NOT THINK OF MAKING A CUT TO THEM UNLESS MR MCGREGOR AUTHORIZED IT. IF THERE IS ANYTHING DOING ON THIS I WILL ADVISE FRED DIRECT FROM HERE

THE FIRST OF THE WEEK AFTER MR MCGREGOR'S RETURN."

(ANJ 528C, 6915)

In July, 1953 Atlantic-Acadia Sugar Sales reduced the concession given on orders for the Toronto plant of Coca-Cola from 10 cents per 100 lb. to 5 cents. An order on July 9 was placed with the larger concession and one on July 22 with the smaller. On July 7, 1953 the Toronto office of C. & D. sent the following message to Mr. Russell of the same company:

"ARE YOU PREPARED TO MAKE ANY CONCESSION TO COCA COLA, TORONTO? AS YOU KNOW, WE HAVE MADE CONCESSIONS AT BELLEVILLE, LONDON AND WINDSOR AND MR. BIGGAR IS NOW ASKING IF WE WOULD BETTER OUR PRICE AT TORONTO. WE WERE UNABLE TO GET ANY BUSINESS LAST WINTER ON A 10 CENT CUT AND WE WONDER WHAT PROMPTED HIS INQUIRY TO-DAY."

(AOG 2767, 12875)

Mr. Russell replied as follows:

"RE YOUR SCT 32 - SINCE MR. BIGGAR IS NOW ENQUIRING IF WE CAN BETTER OUR PRICE AT TORONTO IT SOUNDS VERY MUCH AS IF THE CONCESSION HE WAS RECEIVING FROM OUR COMPETITOR HAS BEEN WITHDRAWN, AND THAT HE HAS COMPLETED ANY CARS HE MAY HAVE BEEN ABLE TO BOOK BEFOREHAND. OUR PRICE AT TORONTO IS FIRM AT THE LIST AND WE ARE UNABLE TO MAKE ANY CONCESSION THERE.

WE WOULD CERTAINLY LIKE TO GET SOME OF MR. BIGGAR'S BUSINESS IN TORONTO AS WELL AS MONTREAL, FOR AS YOU KNOW, IT HAS BEEN WELL ON TO TWO YEARS SINCE WE HAVE HAD AN ORDER. PERHAPS YOU COULD REMIND HIM OF THIS IN A NICE WAY SO THAT WE CAN SEE THEIR NAME ON OUR RECORDS AT LEAST ONCE IN A WHILE."

(AOG 3416, 12871)

At this time, July, 1953, C. & D. was allowing Coca-Cola Ltd. a concession of 10 cents on orders for its plants at Kitchener, London, Belleville and Windsor, but no concession was offered on this occasion for business at Toronto. The following is contained in Mr. Russell's evidence:

"Q. But 15467 would appear to indicate you were doing business with Coca Cola at Belleville, London, Windsor and Kitchener?

A. That was small potatoes.

Q. Can you suggest any reason why you would grant a cut in connection with small potatoes, as you phrase it, and not cut on the large account in Toronto?

A. We suspected we would not even get any business there -- in fact I think we tried it -- doesn't it say there we did not get any business on a 10 cent cut, so we only cut 5 cents at that point -- so even with a 10 cent cut we cannot get any business in Toronto or Montreal, so the fact that we got an inquiry from Coca Cola as to what we were willing to do would show something happened to the other arrangement.

Q. The document states it was the previous winter you had offered Coca Cola a 10 cent cut and failed to get business?

A. That is right."

(Evidence, pp. 250-51)

At the time that C. & D. offered Coca-Cola Ltd. a concession of 10 cents at Toronto in the winter of 1952-53, Coca-Cola Ltd. had been receiving such a concession from Atlantic-Acadia Sugar Sales since June, 1952, together with more favourable terms of payment than those extended by C. & D.

In May, 1953 St. Lawrence quoted prices for sugar for delivery at Coca-Cola's plants in Ontario. The Toronto agent of St. Lawrence reported his lack of success in securing any orders as follows:

" . . .

Coca Cola Ltd.

On request by Mr. Biggar, we telephone you and you gave us the undernoted prices to their various plants:

Toronto (deducting 10¢ special concession)	$8.11
Belleville	8.21
Kitchener (from Hamilton stock)	8.27
London	8.34
Windsor (via rail)	8.35

I called on Mr. Biggar this morning and discussed the sugar situation with him at some length. While he stated that he would be glad to do business with us, he said that none of these prices were of interest to him. I concluded, therefore, that he has some remaining stocks of Cuban on hand and that our competitors are giving him a better price than we are at all of these centers. . . .

. . ."

(ANH 1846A-47B, 9482-83)

With respect to Toronto, the concession offered was not as favourable as the concession plus terms of payment given by Atlantic-Acadia Sugar Sales. In regard to the other Ontario plants C. & D., as already mentioned, was giving a concession of 10 cents per 100 lb. at this time at Kitchener and London and reinstated similar concessions at Belleville and Windsor on May 13, 1953, after having discontinued them on March 20, 1953.

On November 16, 1953 the basis price of sugar was reduced by 10 cents per 100 lb. C. & D. reviewed the concessions it had been giving to Coca-Cola Ltd. at Belleville, Kitchener, London and Windsor, as indicated by the following message on November 16, 1953 from Mr. R. A. Eamer to C. & D.'s office in Toronto:

"YOU MAY REINSTATE ALL CUTS AND CONCESSIONS THAT WERE IN EFFECT AT THE TIME OF THIS MORNING'S PRICE CHANGE WITH THE EXCEPTION OF COCA COLA AT BELLEVILLE, KITCHENER, LONDON AND WINDSOR. WILL ADVISE YOU LATER ABOUT THIS."

(AOG 2801, 13251)

Messages between various offices of C. & D. on November 16 indicate that the company was anxious to keep the business of supplying the Coca-Cola plants outside Toronto but wished to reduce the amount of the concession if this would not lose the business. On the morning of November 17 Mr. Russell sent the following message to C. & D.'s Toronto office:

" . . . AGREE WE SHOULD REDUCE THE CUT TO 5 CENTS FOR COCA COLA AT WINDSOR, LONDON, KITCHENER AND BELLEVILLE.

WE WILL BE VERY ANXIOUS ABOUT BIGGAR'S AREACTION [sic]. LEAVE THE DOOR OPEN IN SOME WAY SO THAT IF HE TELLS YOU NOTHING LESS THAN 10 CENTS WILL GET THE BUSINESS, WE WILL HAVE

A CHANCE TO RECONSIDER. WE DO NOT WANT TO LOSE OUT."

(AOG 3540, 13264)

The concession was reduced to 5 cents and C. & D. continued to get orders for Coca-Cola plants at Belleville, Kitchener, London and Windsor. In spite of the fact that C. & D. was prepared to consider the continuance of a concession of 10 cents for the smaller plants of Coca-Cola Ltd. there is no indication of a concession being offered at this time for orders for Coca-Cola plants at Toronto or Montreal. In May, 1954 C. & D. offered Coca-Cola Ltd. free delivery at Montreal but no orders were secured as a result of the offer.

7. Exchange of Sales Figures between Eastern Refiners

Information as to the sales of sugar by quantity of each of the eastern refiners shows a high degree of stability in their relative positions for a great many years. During the period of wartime controls the amount of raw sugar allotted to each refiner was regulated so that the sales position of each company was determined by the amount of raw sugar which could be purchased. The situation of C. & D. differed from that of the others because it also produced sugar from sugar beets, but the amount of raw sugar which C. & D. could purchase was varied to take account of the supply of sugar beets. The basis of allocation of raw sugar during the control period was related to the relative position of each refiner during the period prior to the war and it may be assumed to reflect the share which each refiner held in the pre-war period. Mr. McGregor of C. & D. gave the following evidence as to the basis of allocation of raw sugar during the control period:

"Q. Do you know, if, in fact, there was a percentage that was finalized at the time of the war; that is at the beginning of rationing did you discuss with the sugar control the amount of sugar you would need?

A. We furnished all our figures to him since 1930, as I recall.

Q. As a result of your supplying him with that figure, what action did he take?

A. He allocated so much sugar to each one of those.

Q. Was that a percentage of the available sugar?

A. A percentage

Q. Did he continue to make the same allocation during the war years?

A. Yes, we computed how much beet sugar Canada and Dominion made -- after they were amalgamated, the whole thing as a share was taken as our allowance -- the beet sugar was taken into the amount of equivalent raw that was allocated to the eastern refiners, so ours might vary, but the total percentage I am sure did not vary."

(Evidence, pp. 459-60)

During the control period the relative share of each refiner in the total sales of the three eastern refiners varied within narrow limits as will be seen from Table 12. The control period with respect to raw sugar, it will be recalled, extended practically from 1940 to 1949. While complete sales figures are not available for the period prior to 1940 it must be assumed on the basis of the evidence regarding the way in which the allocation of raw sugar was made that for a period prior to the war the relative share of each refiner or of the companies which became associated was the same as during the control period. It will be noted that in the latter period the percentage of sales for each refiner ranged as follows:

Acadia-Atlantic	34.15-36.76
C. & D.	42.02-43.66
St. Lawrence	20.81-23.21

In a memorandum of a meeting on March 19, 1943, attended by the Deputy Sugar Administrator and representatives of the eastern refiners, it is indicated that the accepted percentages for the three refiners were:

Acadia-Atlantic	35.5%
C. & D.	43.0%
St. Lawrence	21.5%
	100 %

(AND 2926-29C, 5777-80)

If the percentage for each refiner for the period 1940 to 1956 is calculated, the averages for the 17 years, as shown in Table 12, approximate very closely the percentages given in the memorandum of March 19, 1943.

The relative positions of St. Lawrence and of the antecedent

companies of C. & D. and Acadia-Atlantic appear to have been regarded, on a percentage basis, as very similar to those of the pre-war and subsequent periods. Included in the evidence is an agreement concerning sugar sales entered into on September 15, 1920 among the five existing refiners. In this agreement, which was to run until March 31, 1921, unless otherwise decided, the amount of business was to be divided as follows:

Company	Percentage of Business
Acadia Sugar Refining Company Limited	12
Atlantic Sugar Refineries Limited	22
Canada Sugar Refineries Limited	22
Dominion Sugar Company Limited	22
St. Lawrence Sugar Refineries Limited	22

(AND 1036B-40F, 3130-34)

No evidence was given in regard to this agreement so that its meaning and effect remain undisclosed. The percentage figures given in it when related to the successor companies show that the relative positions at that early period were very similar to the positions of the present companies during the period for which figures are available:

	%		%
Acadia Sugar) Atlantic)	34	Acadia-Atlantic	35.52
Canada) Dominion)	44	C. & D.	42.85
St. Lawrence	22	St. Lawrence	21.63

The evidence in the inquiry indicates that officials of each refinery were interested in the sales position of the company in relation to the available market for sugar. In the case of a product such as sugar, for which the per capita demand remains relatively stable, an increase in the total quantity sold arises mainly from the growth of population. Officials of some companies said that they were able to determine the relative sales position of their respective companies by analysis of the data published regularly for the sugar industry by the Dominion Bureau of Statistics. Because of the limited number of companies refining sugar in Canada the Dominion Bureau of Statistics figures relate to the entire country and are not broken down between the eastern and western parts which are served in the main by different companies.

In addition to obtaining the figures published by the Dominion Bureau of Statistics, the three eastern refiners have exchanged total sales figures by quantity among themselves. During the period of wartime control such figures were obtained apparently on a weekly basis by the sugar control authorities. Subsequently a weekly exchange of sales figures was made by the three eastern refiners up to about the time the inquiry was begun by the Director at the beginning of 1955, and thereafter sales figures were exchanged on a less regular basis. The figures apparently became available only to senior officials of the companies. Mr. Eamer of C. & D., who listed the sales of each refiner, said in evidence that sales figures for Acadia-Atlantic and St. Lawrence were sent by the respective companies to Mr. McGregor of C. & D., who gave them to Mr. Eamer. The information for each company consisted of a single total and a date entered on a sheet of paper. Mr. Eamer said that the date indicated the end of the period to which the figures related and that the beginning of the period would be the date of the previous report. Mr. Eamer described the manner in which he tabulated the figures as follows:

"Q. Having got those figures, what do you do then?

A. I tabulate them and total them.

Q. In what form do you tabulate them?

A. Just list them. Just list the figures and give them back to Mr. McGregor. A set for Mr. McGregor and one to Mr. Russell and one to each of the other refiners.

Q. To whom do you send them in the other companies?

A. Mr. Crawford at St. Lawrence, and Mr. Seidensticker at Acadia.

Q. Do you send them out personally or through Mr. McGregor?

A. I send them personally, with Mr. McGregor's approval.

Q. Do you send them under a covering letter?

A. No.

Q. Are they typewritten?

A. No, by hand."

(Evidence, pp. 1385-86)

Mr. Eamer, who gave evidence on May 14, 1956, was asked how often he compiled reports showing the sales of the three eastern refiners:

"Q. Has the number that is prepared annually been increasing or decreasing?

A. Prepared annually?

Q. Yes, in each year?

A. Oh, I would say they have decreased in the last two years. They were weekly, as I told you, up to a year or two ago. Somewhere between a year and two years, and then they have been coming up spasmodically.

Q. Sometime up until a year or two years ago they used to come every week?

A. Yes.

Q. Did you make a consolidation and send the result out every week?

A. As I received them, I sent it out. If it were every week, yes. If it were every month or two months, yes."

(Evidence, p. 1388)

Mr. Seidensticker of Acadia-Atlantic, who gave evidence on April 6, 1956, said that he thought the latest occasion on which he had received sales figures for C. & D. and St. Lawrence was at the end of the preceding January. Mr. Seidensticker gave the following evidence in regard to the exchange of sales figures:

"THE WITNESS: I should say perhaps, while it has developed from the Wartime Prices and Trade Board in particular, that this is, again, an expression of differentiation that there is between eastern Canada and Canada as a whole. All the figures we get from the Dominion Bureau of Statistics, which are entirely related to Canada as a whole, have not been sufficiently informative statistically, and therefore we have had these figures exchanged as between one and another of ourselves. In the collecting of it, and in the distribution of it, Chatham has been generally the one that has asked for the figures.

BY MR. MacLEOD:

Q. And when Chatham makes a request, does that result in an exchange, all around?

A. Yes.

BY SENATOR HAYDEN:

Q. May I ask a question? What is the value of these figures to you? You have your Dominion Bureau of Statistics figures, Canada-wide. You have the figures from the sugar brokers showing the purchases and importations of raw sugar?

A. Yes.

Q. And you have these poundage figures which show the poundage consumption, or at least the poundage sales?

A. Distribution.

Q. Yes, the distribution of refined sugar?

A. Yes.

Q. What is the value in determining, or in planning your forward purchasing of raw sugar? What is the value of that latter figure?

A. I think it is the same thing that is served in the Dominion Bureau of Statistics for the over-all picture of Canada. But, for our particular purposes, knowing what the distribution is, and therefore the consumption in eastern Canada, which is entirely separate from the over-all picture -- it is an extension and an expansion of the sugar information.

Q. Has it a value in charting your raw sugar purchases?

A. Yes. Its primary purpose is to know what it is -- what the eastern situation is. If you get evidence in the first quarter -- distribution in the eastern part of Canada is largely 20 per cent in the first quarter, 25 per cent in the second quarter and 35 per cent in the third quarter, and 24 per cent in the fourth quarter. Those are round figures. But those are figures which were originally developed from the administration figures.

BY SENATOR HAYDEN:

Q. When you say 'administration', do you mean control figures?

A. Yes, control figures. What we have now, through this, is an attempt, to set up, so far as eastern Canada is concerned, a separate basis of statistics. And that gives you, then, some estimate as to what is likely to be encountered for the balance of the year. So that you can have cognizance of it in your forward provisions with respect to the raw sugar.

BY MR. MacLEOD:

Q. Does it enable you to determine how your sales are in relation to those of St. Lawrence and Canada and Dominion?

A. In a measure, yes, it does.

Q. 'In a measure' -- what do you mean?

A. We would know whether there was any sharp differentiation between one and the other.

Q. And you know, as a result of receiving these figures -- you know the exact sales of the other companies, is that not so?

A. Yes."

(Evidence, pp. 1022-24)

Mr. McGregor of C. & D. said:

"Q. What is the purpose of the exchange of this information?

A. I say it is to see what the eastern refiners' sales are of the total sales reported by the Dominion Bureau of Statistics to show what percentage is in the east, and having my own figures, I know what I am getting of it, and to see what decrease or increase there is in consumption in Canada like 1955 and 1954."

(Evidence, p. 474)

Mr. Crawford of St. Lawrence said that he relied more on the figures published by the Dominion Bureau of Statistics than those

exchanged among the eastern refiners. His evidence included the following:

"A. I pointed this out before: these are figures which to me are quite meaningless because I do not know what they include. For instance do they or do they not include the amount of liquid sugar which Canada and Dominion produces. That question I cannot answer yes or no, I have no idea. I have no idea of the arithmetic that goes into the preparation of them and when I get them and look at them I destroy them. The picture that I look at more closely is what is published by the Dominion Bureau of Statistics as being an increase in the sales of sugar. It is clearly stated there. What we are interested in is holding our percentage of that increase so we will do what we see fit at the time to get that business. As I mentioned before we discovered that we were very far behind in our sales last year, when the Dominion Bureau of Statistics published their statistics and we were about to and we did give concessions at several points to bring ourselves into what we consider to be our percentage of that increase. Our effort was greatly facilitated as a result of the Acadia-Atlantic sugar strike which brought us business which they would have got in territories where we cannot compete. That was for last year. This year, at the end of February, the increase for all of Canada was shown as approximately 8 million pounds and our increase at that stage was over 7 million pounds, so I expect that one day, and soon, others will have noted that too and will do something about it."

(Evidence, pp. 1212-13)

It will be noted from the foregoing evidence of Mr. Crawford that he regarded concessions as a method of securing a desired amount of business. He considered that the other refiners would have a similar attitude and that if St. Lawrence secured a large part of any increase in sales the others would take steps to re-establish their positions.

Mr. Eamer of C. & D. was asked about the use of concessions in controlling the volume of business and gave the following evidence, which has already been quoted:

"Q. Has it been your experience that by putting cuts into effect and withdrawing them you can control your total volume of business fairly well?

A. Yes, I would say to a degree, yes.

Q. Did you ever find that putting cuts into effect led to a price war?

A. I cannot recall any occasion at the moment.

Q. Can you recall any occasion when cuts or concessions led to a reduction in price by any refinery?

A. No, I cannot."

(Evidence, p. 1358)

While some buyers of sugar tended to spread their purchases among several refiners and thus have alternative sources of supply, others placed their business with one refiner and would not change their supplier unless more advantageous terms were offered. An example of the latter type of customer is given in a letter of February 8, 1954 from Mr. G. M. Russell of C. & D. to Mr. R. A. Eamer of the same company. In referring to a particular firm Mr. Russell wrote:

" . . .

. . . it is a policy of their Company never to switch away from a supplier when competitors meet the price they are presently receiving but only when a competitor gives a better price. This latter supplier then holds the preferred position, for unless someone else goes even better, they will not switch from him. . . .

. . ."

(AOG 4252, 13513)

When Mr. Crawford of St. Lawrence was asked about occasions when one refiner withdrew concessions and another began offering concessions he gave the following reply:

"Q. I was just concerned in the situation generally. Here we have your company withdrawing concessions and Canada and Dominion apparently allowing concessions. Did you find that situation occurring?

A. Well, it could occur. I do not see anything to prevent it. If they decided they were losing business because we were giving a cut, naturally they would do the same thing. The effect of a concession given by us is, I

believe, to take away business which normally flows to our competitors and they watch these records just as I do, and I watch them very carefully, and in order to retrace their lost ground they give some kind of a concession. I think that is a natural course of business."

(Evidence, p. 1185)

The evidence as a whole leads to the conclusion that each of the eastern refiners endeavoured to secure, within fairly narrow limits, a certain proportion of the sugar business available in the markets which the three served and that the relative position of each was recognized by all. It was expected that if the business of any one refiner in any period departed significantly from its historical position, the others, in the words of Mr. Crawford, "will do something about it". The principal means used to secure additional business when one refiner had not maintained his position was the granting of concessions.

The fact that the relative positions of the three eastern refiners have remained within narrow limits over a considerable period of years becomes more significant when consideration is given to the relative capacities of the various plants. The active capacity of Acadia-Atlantic has remained practically the same since 1946 and increased output of refined sugar in recent years has been secured by more intensive operations.[1] C. & D. enlarged the capacity of its Redpath refinery in Montreal by 50 per cent between 1946 and 1954. In addition, C. & D. has its beet sugar plants at Chatham and Wallaceburg and the latter plant is also capable of producing cane sugar. The capacity of the St. Lawrence refinery in Montreal was also increased by about 40 per cent between 1946 and 1956.

When annual output of cane sugar is related to capacity it is found that Acadia-Atlantic has had the highest apparent utilization. It has previously been pointed out that the Saint John refinery has year-round access to raw sugar supplies and thus does not have the problem of storage of raw sugar which exists in the case of the Montreal refineries.

In addition to the problem of winter storage which is encountered by refining plants, other than that at Saint John, the sugar industry has the problem that the demand for refined sugar is much heavier in some periods of the year than in others. Thus sales

---

(1) The Woodside, N.S. refinery of Acadia-Atlantic, which had a rated capacity of 1,250,000 lb., has been inactive since 1942.

records of St. Lawrence show that in 1954 approximately 17.9 per cent of its business was done in the first quarter of the year, 24.6 per cent in the second, 32.8 per cent in the third and 24.7 per cent in the fourth (ANH 940, 8205). To meet such varying demand the refiner must either produce sugar in advance of the period of peak demand or step up operations to meet seasonal demands. It is probable that both courses are employed.

In 1953, Acadia-Atlantic had its peak inventory of refined sugar at the end of April; in 1954, the peak inventories were at the end of March and June and in 1955, in April and June. In the case of the other two companies, for whom supplies of raw sugar are not available during the winter, inventories of refined sugar tend to be highest in January and February and reach a low point just before the first shipments of raw sugar arrive in the spring.

In view of the varying factors affecting the month-to-month operations of the sugar refineries it is difficult to establish any comparative measures of the utilization of refining capacities. The following table relates stated refining capacity of cane sugar refineries to the output or sales in 1954 and 1955.

Table 16

Capacity and Production of Eastern Canadian Cane Sugar Refineries, 1946, 1954 and 1955

	Daily Capacity of Raw Cane Sugar (millions of lb.)			Output of Refined Sugar (millions of lb.)		Equivalent in Days of Capacity Operations[3]	
	1946	1954	1955	1954	1955[2]	1954	1955
C. & D.	1.6	2.4	2.4	421[4]	458	187.8	204.0
St. Lawrence	1.25	1.4	1.5	240	254	183.8	181.5
Acadia-Atlantic[1]	1.5	1.5	1.5	395	413	263.5	275.6

1 Refined sugar capacity

2 Sales.

3 Adjusting raw sugar capacity to refined basis by taking 107 lb. of raw to 100 lb. of refined in the case of C. & D. and St. Lawrence.

4 Fiscal year April 1, 1954-March 31, 1955.

Taking into account the number of statutory holidays during the year and the need for a period of closing to undertake repairs and annual overhaul, it would appear, as stated in the inquiry, that the Saint John refinery has been operating at a near-capacity level. In the case of the other two refineries it would appear that they have been operated well below capacity, even allowing for the period of one and one-half months or so when they are customarily closed during the winter. It will be noted that the output of St. Lawrence, which has the smallest plant, showed the lowest apparent scale of operations in relation to capacity in 1954 and 1955 of the three refineries. When the capacities of the other plants of C. & D. are taken into account it will be seen that this company, also, appears to have had a considerable amount of unused capacity. The situation as reflected in the above table has been altered significantly since the inquiry by the opening of the C. & D. refinery in Toronto with a daily capacity of 1,400,000 lb.

During the period February 1, 1943 to December 31, 1946, due to wartime conditions, the plant of St. Lawrence was closed and under a pooled-melt arrangement all raw sugars for that company and C. & D. were processed at the latter's Montreal refinery.

In the following table the production during the last three years of this period is compared with the capacity of C. & D.'s Montreal refinery in 1946 in the same way as was done in the table above.

Table 17

Capacity and Production of the Montreal Refinery of C. & D., 1944 to 1946

	Daily Capacity of Raw Cane Sugar (millions of lb.)	Output of Refined Sugar (millions of lb.)	Equivalent in Days of Capacity Operations[1]
1944	1.6	465	310.8
1945	1.6	429	287.0
1946	1.6	400	267.2

1 Adjusting raw sugar capacity to refined basis by taking 107 lb. of raw to 100 lb. of refined.

The figures in Table 17 indicate that under the press of wartime needs the Redpath refinery was operated for a time at a higher level of capacity than that of the Saint John refinery in recent years.

These comparisons of output and capacity, rough as they necessarily have to be, suggest that in recent years both the Montreal refiners have been in a position where they had sufficient capacity to handle more business than that provided by the increase in population. In fact, they do not appear to have attempted to disturb the customary sharing of the market but have been content to keep their relative positions.

CHAPTER VIII

OTHER MATTERS RELATED TO THE SUGAR INDUSTRY IN EASTERN CANADA

1. Limitations on Trade in Raw Sugar for Use by Other than Sugar Refiners

The evidence obtained in the inquiry shows that raw sugar may be used as a substitute for products of the sugar refining industry in some processes in the beverage and food processing industries. There is a recognized trade in such sugars which are carried through further stages of washing in the cane sugar producing areas than the raw sugar supplied to refiners and are thus referred to as "washed raws" or "light raws". The process may be carried further to a stage referred to as "plantation whites". When such sugars are purchased by beverage or food processors the raw sugar may be further washed by the purchaser to remove impurities.

As already mentioned in the earlier section of this report describing rates of customs duties, the domestic wine industry in Canada, since June 1, 1931, has been able to obtain a drawback of 99 per cent of the duties charged on importations of raw sugar produced in the British Empire or on sugar refined in Canada from raws produced in the British Empire which wineries use in the manufacture of wine. Since June 30, 1956 a special item has been included under Tariff Item 134 which provides for rates of duty of $.0109 per 100 lb. under the British Preferential Tariff and $.0189 per 100 lb. under the Most-Favoured-Nation Tariff for sugar used in the manufacture of wine.

Statistics of the imports of raw sugar for use by other than sugar refiners are shown in Trade of Canada published by the Dominion Bureau of Statistics. For recent years the Dominion Bureau of Statistics has also published figures for the sugar consumption by the wine industry.

Table 18

Imports of Raw Sugar for Use by Other than Sugar Refiners and Consumption of Sugar in Wine Industry, 1947-58

(pounds)

Year	Imports of Raw Sugar	Consumption of Sugar in Wine Industry Total	Raw	Refined
1947	18,072,300	14,900,880		
1948	16,174,700	13,522,527		
1949	8,493,800	14,126,062		
1950	12,649,900	12,828,308		
1951	26,137,800	13,003,692		
1952	13,107,000	11,449,835		
1953	20,038,400	12,191,669		
1954	24,080,200	9,791,273	8,625,859	1,165,414
1955	23,141,700	14,441,277	12,653,740	1,787,537
1956	24,220,500	13,948,700	12,701,424	1,247,276
1957	21,788,200	14,531,728	12,639,681	1,892,047
1958	25,274,500	19,310,772	16,519,418	2,791,354

Sources: Dominion Bureau of Statistics, Trade of Canada and The Wine Industry.

The D.B.S. figures for the years 1947 to 1953 do not distinguish between the use of raw and refined sugar in the wine industry, but it will be noted that in recent years, for which separate figures are given, the bulk of sugar used was in raw form and it may be assumed that the situation was similar in earlier years. While the available data do not reveal exactly what quantities of raw sugar imported other than for the use of sugar refiners were used in the wine industry the figures do indicate that a large part of the imports in each year was for that purpose. At the same time it is evident that substantial quantities of raw sugar were imported for other uses. The trade figures show that until 1957 the imports of raw sugar by other than sugar refiners were made almost exclusively from Jamaica and British Guiana. In 1957 and 1958 imports were made from Cuba and British Guiana, the former supplying about 60 per cent of the total.

The evidence in the inquiry indicates that several manufacturers of jam in Ontario had facilities for processing washed raw sugar so that it could be used in their operations. If such sugar was imported for use in the manufacture of jam it would replace sugar from eastern refiners so the latter would naturally be interested in any developments in this direction. On September 29, 1953 Mr. R.A.

Eamer of C. & D. prepared a memorandum entitled "Memo Re Empire Raw Sugar Purchased by Industrialists for Washing" (AOG 2691-92, 13010-11). In this memorandum Mr. Eamer calculated the laid-down cost of raw sugar at several points in Ontario, including duty and freight, and after allowing for the loss of sugar in the washing process came to the following conclusions:

> " . . .
>
> In both cases the user would have a credit for the sale of the raw sugar bags. Washed raw sugar could only be used in low-grade products due to the fact that washing does not eliminate lint and other foreign matter. This could be eliminated by dissolving followed by filtration but in this case there would not be any object in washing therefore it is assumed that washing is the only operation.
>
> In view of the above figures, it would seem that St. William's claim that the sugar cost them $7.00 is well within the realm of possibility.
>
> It is apparent from the foregoing that the use of washed raw sugars by industrialists is most apt to reach large proportions and therefore should not be ignored."

(AOG 2691-92, 13010-11)

The cost of $7.00 mentioned in the memorandum was substantially less than the price of refined sugar at the time.

In the description of the trade in raw sugar given earlier in this report reference was made to the functions of sugar brokers in arranging for the sale of sugar by producers. In this connection it was mentioned that the firm of Czarnikow Limited of London, England with affiliated companies in various producing and consuming areas is one of the leading brokers in Canadian trade. During the summer of 1953 there was correspondence between the Czarnikow offices in London and Canada about the supply of plantation whites to food processors in Canada. On July 31, 1953 Sir William Rook of Czarnikow Limited, London wrote to the company's Canadian subsidiary:

> "Thank you for your letter of the 28th July. We have advised our own friends in Barbados that we prefer not to handle whites for Canada. They thoroughly understand the position and accept it. Please keep us informed, however, of any further business which is done."

(ATF 0053, 18464)

Mr. Palmer of Czarnikow (Canada) was asked about this letter and said that while the parent firm handled plantation whites in the United Kingdom:

> " . . . as a matter of policy in Canada, we have never bought anything other than raw sugar."
>
> (Evidence, p. 108)

This policy was in keeping with what Czarnikow regarded as the policy of Commonwealth producers. Mr. Palmer was asked about a letter of February 12, 1954 from Sir William Rook in which it was stated that:

> " . . .
>
> . . . the Commonwealth countries have respected almost completely the idea that it would be unreasonable for them to worry Canadian Refiners by sending in white, refined or semi-refined sugar."
>
> (ATF 0032C, 18467)

Mr. Palmer was also asked what Commonwealth countries would be in a position to send refined and semi-refined sugar to Canada. His evidence was as follows:

> "A. It is a rather difficult question -- none of them have any surplus refined sugar which they would sell -- a certain number of them have capacity for producing refined sugar -- they could produce -- in other words, they do not produce refined sugar other than for local consumption at the present time, such as Jamaica, Trinidad, Australia, as far as I know, Natal -- they all produce refined sugar for internal distribution.
>
> Q. Was any suggestion as at the date of that letter made that they might be sending some in, or anything like that?
>
> A. No, I think it was a comment by Rook of the policy of the commonwealth countries that over the years they have always confined their sales of sugar in Canada to raw."
>
> (Evidence, p. 109)

The Czarnikow firm appears to have attempted to keep track of any reported sales of semi-refined sugar to other than refiners

in Canada. In the following letter of March 2, 1954 to Mr. Palmer, Sir William Rook wrote:

> "I have received your confidential letter of the 24th February regarding your discussion with Guy Eccles about the interpretation in Canada of washed sugars.
>
> Since your letter arrived, you cabled yesterday regarding Austin's statement that Hodgson is continuing to sell washed sugars, and asking if I could confirm this. I had a talk with Alan de Pass and he told me that they had stuck very rigidly to the arrangement that they would not go after or take on any business which conflicted with Refiners' interests. I replied: 'Will this mean that you do not sell any sugar except to Refiners, Wineries and people using N.E. 16?' He said that was the case and I cabled you accordingly.
>
> I cannot help feeling that there may have been a small lot shipped through Hodgson, because Alan hesitated a little in talking to me, and said at one moment: 'Except to Buyers we have sold to for years'. He went on to correct this by adding: 'Well, I am wrong, because we have now stopped this as well.'
>
> I am not sure what B.W.I. Sellers are going to do. You may find that some of them break away from the arrangement that no sugars conflicting with Refiners' sales should be shipped, but I shall no doubt know more about this in the near future."
>
> (ATF 00251, 18472)

Both Austin and Hodgson were raw sugar brokers with offices in Montreal. Hodgson & Company was controlled by de Pass.

In a letter to Mr. W. J. McGregor on March 22, 1954 Sir William Rook wrote, in part, as follows:

> ". . .
>
> The reason I am writing to you personally today is that I am told there are reports circulating in Montreal that Czarnikows are not doing everything they can to keep the Canadian market free of imported white and refined sugars. This is most surprising in view of the fact that I have personally taken the lead in trying to persuade West Indians and others that the proper course for Commonwealth Producers to pursue was to avoid any sales of

shipments which might clash with Refiners' interests.

When I was with you in Montreal I sent a long cable to the London Representative of B.W.I.S.A. pointing out how strongly I felt that this was in the interests of B.W.I. Producers, and my cable was forwarded, also by cable, to B.W.I.S.A., and was acted upon by that organisation. Since that time we have been approached by various people asking us to sell sugar to Manufacturers, but we have always replied that we felt we should be acting unwisely if we attempted to compete with Canadian Refiners, and that, moreover, this would be contrary to the interests of the raw sugar Producers themselves.

. . ."

(AOG 1679, 13717)

Mr. Palmer of Czarnikow (Canada) wrote to Sir William Rook on March 16, 1954 that Hodgson & Company were selling sugars above 16 D.S. in limited quantities to manufacturers other than wineries and that due to a misunderstanding another firm had also made some sales of light sugars. In regard to the latter Mr. Palmer wrote:

" . . .

. . . I understand he confessed this error to Clarence Coyle and possibly L.J.

. . ."

(ATF 022G-23, 18474-75)

Mr. Coyle was with C. & D. and L. J. are the initials of Mr. L. J. Seidensticker of Acadia-Atlantic. Later in March, Mr. Palmer wrote to Sir William Rook that he had learned that Hodgson had been requested by de Pass to cease selling light sugars to anyone other than wineries (ATF 0019E, 18478).

On April 21, 1955 E. D. Smith and Sons Limited, an Ontario jam manufacturer, wrote to Czarnikow (Canada) as follows:

"Up until about a year ago we were able to get a special washed raw sugar which allowed us to simply filter the resulting syrup without centrifuging same first. This particularly appealed to us as it was a more economical operation, and secondly we were not confronted with the by-product sugar affinations.

> Since that time, we have always been under the impression that washed raw sugars have been disallowed from entering into the Country. . . .
>
> . . ."
>
> (ATF 0048C, 18527)

The letter then went on to say that it has been learned that a winery was bringing in a boat load of raw sugar for which Czarnikow (Canada) had acted as brokers and that if the sugar was of the type formerly purchased by E. D. Smith and Sons Limited, the company would be interested in getting the price and seeing samples. Czarnikow (Canada) forwarded a sample of the sugar but said that the suppliers were sold out for the current year. Mr. Palmer of Czarnikow (Canada) sent Mr. Coyle of C. & D. a copy of his reply to E. D. Smith and Sons Limited and wrote to Czarnikow, London on May 5, 1955 as follows:

> "I attach hereto copy of a letter we received from E. D. Smith & Sons Ltd., together with copy of my reply. You will, I am sure, realize that Smith's letter places us in rather an awkward position in view of the undertaking of B.W.I. sellers that they would not sell sugars <u>above 16 Dutch Standard</u> other than to the Wineries. My reply was sent after having private talks with both L.J. (who still seems to function in matters such as this although he takes no formal part in the sugar buying) and Bill McGregor, who happened to be in Montreal at the time. I hope that both you and J.S.E. will be in agreement. L.J. seemed quite confident that, whilst the J.S.E. Winery sugar is a very good raw, it would for the purpose of a jam manufacturer still have to be washed. Smith's are, therefore, unlikely to be interested in the sugar in view of the high rate of duty payable. However, if they say it is suitable, then our only course to get out of selling would seem to be on the grounds of insufficient supply after taking care of the Wineries.
>
> Should Jim Crawford still be in London when this arrives I would like you to show the correspondence to him."
>
> (ATF 0046A, 18536)

Mr. Palmer was asked about his reply to the inquiry from E. D. Smith and Sons Limited and gave the following evidence:

"Q. Toward the end you say: 'However, if they say it is suitable, then our only course to get out of selling would seem to be on the ground of insufficient supply.' Would that mean the ground of insufficient supply was merely an excuse?

A. Yes, the position there was the British West Indies sellers as a matter of policy decided to confine -- which was an arrangement entirely outside Canada -- their sales of raw sugars in Canada to the refineries, wineries and those buyers who take sugar which is not above 16 Dutch standard, -- I believe the reasoning behind that was the quota -- that is, they did not feel that on a few thousand tons of sugar they wanted to enter into direct competition with the refiners who were buying something like 240,000 tons of sugar from them.

Q. Would this sugar be available at all to a firm like Smiths?

A. I would say not from the British West Indies -- it could from other sources -- they could probably find some in Mauritius or Queensland.

Q. Who would they purchase that through?

A. Any of the Montreal sugar brokers.

Q. When they approached you, did you indicate to them that there were alternative sources of supply that might be explored?

A. I cannot recall that -- they were talking specifically about some sugar they had seen at Bright's Wineries which was this Jamaica estate sugar, light raws."

(Evidence, pp. 114-15)

Mr. Seidensticker of Acadia-Atlantic gave the following evidence about information given to him by Mr. Palmer in regard to the inquiry by E. D. Smith and Sons Limited:

"A. The situation is, or the suggestion is, as I read this letter, that someone of E.D. Smith's and Sons, Limited discovered about the winery sugars, and asked why he could not get this same privilege, why he could not get this in to use it in his jams.

Apparently Leslie asked me about it and I said that the wineries sugar, if it were to be used in jams, unless it was an extremely low quality of jam, would have to be washed in order to get the molasses and the syrups out of it. Otherwise the molasses flavour would carry into the jam. This is the question there.

Q. Have you any idea why this matter should be discussed with you, and apparently also with Mr. McGregor, and passed on to Mr. Crawford?

A. No, except that he was looking for information. I think you can read in this Leslie's own idea:

> 'However, if they say it is suitable, then our only course to get out of selling would seem to be on the grounds of insufficient supply after taking care of the wineries.'

That is, it is evident there that Leslie did not want to sell this sugar. There was an awkward situation of selling raw sugar to refineries, and then selling raw sugar to the customers of the refineries. It is up to the producers and the sellers. This is entirely up to them.

Q. Would you be interested in discouraging such a sale by Palmer?

A. No. We have left this entirely to the producers. So far as we are concerned -- because it seemed to us quite evident that, so far as British West Indies -- this seemingly rests with the British West Indies, because he speaks about Jamaica sugars, which Czarnikow handles. I would say they just do not want to play fast and loose with it."

(Evidence, pp. 982-83)

The position of C. & D. in relation to the importation of raw sugar by manufacturers other than wineries was put in the following way by counsel for the company:

"There is no doubt on the evidence that my company, and Mr. McGregor in particular, was very concerned about this situation. There is no doubt on the evidence that he did seek to lead the countries that were exporting it to reconsider the wisdom of their doing so, in the same way as

representations were made first by Mr. Howe, and later by Mr. McGregor and Mr. Crawford, to the Cubans.

It was a question as put to them, and rightly so, of where the best interests of the exporters lay. The export to Canada of light coloured raws to industrial users quite obviously would cut down the volume of raws purchased by the refiners from the same sources of supply, to the extent that the refiners otherwise would have sold the refined sugar to those industrial users who were purchasing it.

It applies principally -- indeed I think entirely -- to raw sugar producers in the Caribbean. The problem, so far as they were concerned, was quite simple. You cannot have it both ways. If you sold raw sugar to industry, then you sold less raw sugar to the refiners.

The Australian and Mauritius raw sugars were not concerned in this problem because the shipping times involved are very much longer. The individual cargoes are much larger, running anywhere from 8,000 to almost 12,000 tons per cargo, whereas much smaller shipments are available, smaller quantities, in water shipments from the Caribbean."

(Hearing, pp. 196-97)

Counsel for C. & D. then referred to some portions of the evidence of Mr. McGregor and Mr. Seidensticker and concluded:

"We do not have in this chapter of the Director's statement any argument to indicate how, on the basis of that evidence, it is suggested that there was an arrangement jointly made by the refiners to keep these light coloured raws out of Canada. The position, as it is left in the evidence of Mr. Seidensticker, seems to be that the respective arguments, pro and con, were certainly put to the countries of origin, and the importation or shipments, which is more important, of these light coloured raws apparently came to an end."

(Hearing, p. 201)

The figures for imports of raw sugar by other than refiners given earlier in this chapter when compared with the imports of raw sugar by refiners (Table 2) show that the amount of raw sugar imported by manufacturers other than wineries must have formed a small part of the total consumption of sugar in Canada. In 1954 the

total imports of raw sugar by other than refiners amounted to 240,802 cwt. and the quantities of raw sugar used by wineries in that year totalled 86,259 cwt. so that the quantities for other uses approximated 154,500 cwt. In the same year the total imports of raw sugar by refineries were 12,854,673 cwt. Nevertheless, it is evident that the eastern refiners were concerned about imports of raw sugar by manufacturers and both brokers and suppliers were aware that the providing of raw sugar to food processors was not acceptable to the eastern refiners. The attitude of the eastern refiners undoubtedly influenced brokers and suppliers to avoid sales of raw sugar which would be regarded unfavourably by the eastern refiners.

2. Acquisition of Beamish Sugar Refineries Limited, Toronto

Apart from the new refinery at Toronto which C. & D. brought into operation in 1959 only one other cane sugar refinery has been established in Canada since 1930. The earlier establishment was also located at Toronto and produced sugar from some time in the early 1930's until 1942 when it was closed down, apparently as a result of the concentration of sugar refining operations under wartime controls.

The earlier sugar refining operations at Toronto were organized by Crosse & Blackwell (Canada) Limited in conjunction with their food processing business. Mr. W. A. Thompson of Atlantic-Acadia Sugar Sales referred to the competitive situation existing in Ontario up until the war as a result of food processors bringing in raw sugar and washing it for use in their operations. His evidence included the following:

"A. Yes, raw sugar, and washing it themselves, and replacing a certain amount of cane sugar.

Q. Was Beamish catering to that trade, do you know?

A. Beamish -- I think primarily they were - Crosse and Blackwell were one of the first ones that brought in sugar and washed it.

Q. For their own use, or for sale?

A. Well, it seems to me they bought a truck and they sold some, but I don't know how much, but it grew; there were quite a number of plants that did it, and some of them had trucks and were washing raw sugar, and selling it, all through the Niagara Peninsula, through the Toronto and Hamilton area."

(Evidence, p. 655)

In 1934 Crosse & Blackwell (Canada) Limited went bankrupt and an arrangement was made for the operation of the sugar refining operations for the benefit of the company's creditors by Mr. B. D. Beamish. Mr. W. E. Beamish, a brother of Mr. B. D. Beamish, who had been also connected with the sugar operations, gave evidence in the inquiry that when Crosse & Blackwell went bankrupt the company had a considerable amount of raw sugar against which Mr. Allan Ross, a director of Crosse & Blackwell, had given a personal guarantee. With the financial backing of Mr. Ross the sugar refining plant was rented from the trustee in bankruptcy and the raw sugar processed. The operation was conducted under the name of B. D. Beamish, Agent.

Although the Crosse & Blackwell sugar refinery had a small capacity of about 30 million pounds per annum and probably produced only about 15 or 20 million pounds when in fairly steady operation, its competition was regarded seriously by eastern refineries. In a letter of February 26, 1936 to Mr. H. R. Drummond, a director of C. & D., Mr. W. J. McGregor wrote:

> " . . .
>
> Beamish has now named a price of \$3.45 net, to some customers and he is endeavouring to secure business at the outside points as they net him better than Toronto. I do not think he will find it any more profitable as we are taking steps to meet this competition immediately, outside of Toronto.
>
> Cotton bags would cost Beamish about 15½¢ and Jute bags, with cotton liners, about 14½¢. He gives an allowance of 11¢ for any bags that are returned in good condition and, while on the face of it, it would appear that he is saving money, I think the re-handling offsets any saving.
>
> Beamish is closed down this week but will commence refining again on Monday when his Raws arrive from the seaboard. He has 2,000 tons arriving between now and March 17th at St. John and he bought, yesterday, 1,000 tons at \$1.93 for the opening of navigation, c.i.f. Montreal.
>
> It looks as though we will have to meet his competition in a more drastic manner, although I cannot help but feel he is actually working at a loss and doesn't know it.
>
> . . ."

(AOG 1112-13, 10940-41)

Reviewing the situation later, Mr. C. H. Houson of C. & D. wrote to Mr. E. T. Rogers of B. C. Sugar Refining Company on December 6, 1938 as follows:

> " . . .
>
> Other competition resulted when Crosse & Blackwell established a small sugar refinery in connection with its Toronto plant. This refinery consisted only of second hand sugar machinery installed in a building designed for other purposes, and was not equipped to make yellow sugars, a most necessary and important economy in sugar refining in Canada. This combination quite naturally resulted in extremely high operating costs. This plant had a production capacity of about 300,000 bags per annum.
>
> Nevertheless, as a result of this competition, the other refiners began early in 1935 to reduce gradually the price of sugar, particularly in Toronto and points west.
>
> . . ."

(AMF 54-55, 16750-51)

The process used by B. D. Beamish to produce sugar was known as the "Norit" process which did not make use of the large and expensive bone-char filters which are employed by the larger sugar refineries.

In 1936 the Beamish sugar operations were acquired by Beamish Sugar Refineries Limited from the trustee of Crosse & Blackwell with funds provided by Mr. Percy R. Gardiner, a Toronto financier, who was Vice-President of Atlantic Sugar Refineries Limited from 1932 until 1951 and who had a 50 per cent interest in the latter company. Included in the assets purchased from the trustee of Crosse & Blackwell by Beamish Sugar Refineries Limited were the machinery, certain licences, accounts receivable and good will. The land and building were not purchased.

Mr. P. R. Gardiner gave evidence in the inquiry. Part of his evidence dealing with the development of the negotiations for the purchase of the sugar refinery business is reviewed in the Statement of Evidence as follows:

> "965. Mr. Gardiner's evidence was that around the start of 1936 Mr. Carlisle of the Dominion Bank spoke to him concerning the Beamish sugar operation and suggested he might develop it. Mr. Gardiner suggested to Mr. Carlisle that if Mr. Carlisle wanted to pursue the project he should

have Mr. Beamish get in touch with Mr. Gardiner, and Mr. Beamish did (Evidence pp. 1402-3). Mr. Gardiner became interested in the comparatively cheap process being used and made Beamish a firm offer. Mr. Gardiner said he did not consult anyone else about this (Evidence p. 1403). Mr. Gardiner's evidence on the negotiations included the following:

> 'A. . . . I didn't have any dealings with Ross at all, whatever offer I made to Beamish I made it a firm offer so he could act on it in the process of any creditors meetings that might be in the future. As it turned out it was months and months in the future. I had to make a firm commitment so he could go to Allen Ross and also go to the creditors naturally. Now I don't recall exactly what that amount of money was. I know it was something under $200,000 in the neighbourhood of $175 to $200,000. Beamish set this figure himself and he tried to prove to me, or did prove that I was getting value for my money.
>
> Q. Was there any dickering about the thing?
>
> A. As a matter of fact I don't recall. Beamish had this attitude, he wanted to take me in the sugar business, I had been a neighbour of his and friendly with him previously and he was anxious to maintain a job and segregate this part of the business from the Cross and Blackwell. I don't know, as a matter of fact the thing was so insignificant to me, there would not be dickering. I was accustomed to dealing in larger amounts than that $175,000 or whatever it was. At the time there discussions -- it was purely sort of a bet on the future rather than the actual assets of the company. They had no building, an old shed that looked like a barn. I made him a firm offer without seeing the place. It was built up on the basis of his own personality and ability. I thought we could use him in our own organization if we wanted to or I thought that the thing would be a good thing for us to own. I consulted nobody. I did consult Mr. Seidensticker some months later and he advised me as far as the Norit process I was interested in he didn't think it was advisable at all.' "

(Evidence, pp. 1405-06)

The shares of Beamish Sugar Refineries Limited were issued on September 29, 1936 and Mr. Gardiner's evidence was that he bought all the issued shares. As indicated above, Mr. Gardiner said that he first became interested in Beamish Sugar Refineries Limited as a personal investment. He was approached by Mr. Houson, then President of C. & D., in the following way:

"A. . . .

> Mr. Howson [Houson] interviewed me at some time before the deal was consummated and he said he thought of making a bid for it himself or something to that effect and I was quite willing that he would as a matter of fact because by that time I had advice from Mr. Seidensticker that in his estimation it was just a foolish thing, that the company had never made any money and never would. If we were embarking on a project in Toronto we would not embark on it through that sort of vehicle.
>
> . . .
>
> At that time towards the end -- maybe prior to the acceptance of my bid -- no, I think it was afterwards -- you see in the sugar business we had this relationship, the St. Lawrence and Atlantic were the same size, Canada and Dominion, which is two companies originally, were twice either St. Lawrence and ourselves and approximately the Acadia was half our size, so I told Howson which I was very glad to do, that if he wanted to make an investment in this thing I would not sell him control of it but I would sell him something less than control. I would not give him the whole advantage but if he wanted to nose into what we were doing here he would be a shareholder. The only dealings I had with anybody was Mr. Howson, he was the only one who showed any interest. He approached me, I didn't approach him. I recall when he purchased shares from me I sold him something less than control -- I sold him -- well, of course it was not to my interest to hold in my own name, I sold certain shares to the Atlantic Sugar Company -- no Atlantic-Acadia in those days -- I sold him twice as much as I sold Atlantic, I think. I was glad to dispose of them. At that time I had changed my mind substantially about the future of this Norit process, any good it would be to us or anybody, I was anxious to undo this thing, small as it was."

(Evidence, pp. 1409-11)

Some months later Mr. Gardiner sold some shares to Mr. J. W. McConnell of St. Lasrence which were acquired by J. W. McConnell Foundation Inc. Mr. Gardiner said that he did not wish to sell Mr. Houson a controlling interest in Beamish Sugar Refineries Limited and that he distributed the shares among the eastern sugar refinery companies approximately in relationship to their recognized positions in the industry. These, he said, were that Atlantic, as it then was, and St. Lawrence were regarded as about the same size, Acadia about half as large and C. & D. about twice as large as either Atlantic or St. Lawrence. The shares of Beamish Sugar Refineries Limited which were acquired by the old Acadia Company were acquired by Acadia-Atlantic with the assets of the former company. At the time of this inquiry it was established that approximately 43 per cent of the shares of Beamish Sugar Refineries Limited were being held by Roytor & Co. on behalf of C. & D.; 21.5 per cent were held by J. W. McConnell Foundation Inc. and 35.5 per cent on behalf of Acadia-Atlantic. These proportions are very similar to the average sales positions of the three eastern refineries as shown in Table 12.

The financial operations of Beamish Sugar Refineries Limited are reviewed in the Statement of Evidence, as follows:

"971. The return of information submitted to the Director on behalf of Beamish Sugar Refineries also included financial statements for the company for the period September 29, 1936 to December 31, 1954. The company's opening balance sheet shows fixed assets, made up of machinery and equipment, to a value of $124,430.91. The company's auditor said of this:-

> 'The fixed assets are shown at the values placed on them by the Management.'

Beamish Sugar Refineries stayed in the sugar business until April, 1942. Profits carried to surplus were as follows:

For 15 weeks ended	December 31, 1936	$ 11,680.43
" 12 months "	December 31, 1937	41,393.31
"	December 31, 1938	48,896.18
"	December 31, 1939	105,910.93
"	December 31, 1940	19,117.59
"	December 31, 1941	17,401.23

The Company did a certain amount of business outside of the sugar field and the financial statements show that on balance this was done at a loss. As at December 31, 1942 the Company's balance sheet showed machinery and equipment to a value of $201,322.48 against which a reserve for

depreciation totalling $167,657.00 had accumulated.

972. The Company paid its first - and only - dividend on March 1, 1943. It was for $1.40 per share, and totalled $259,000. As at the end of 1943 the Company's subscribed capital was still intact. When the machinery was finally disposed of, which is shown as having been completed in 1946, a book loss was taken with consequent impairment of the capital. From the end of 1946 to the end of 1954, the Company's financial statements reveal no active business as having been done by the Company."

In 1956, Beamish Sugar Refineries Limited had assets made up of cash and Dominion of Canada bonds worth more than $150,000.

The establishment of a sugar refinery operation at Toronto in the early 1930's by Crosse & Blackwell, and its continuation by B. D. Beamish, Agent, introduced a new competitive element into one of the principal markets of the eastern refiners and the evidence makes clear that although the new refinery operations were conducted on a relatively small scale and did not provide the range or qualities of sugars offered by the larger refineries, the competition from this source was regarded as serious and led to a lowering of prices by the larger refineries in an effort to meet this competition. When in the face of substantial opinion that the processes employed in the small undertaking were not practicable for successful operation it is found that the business was acquired by a person having a large interest in one of the established sugar producers, and the shares subsequently distributed in accordance with the relative positions occupied by each of the eastern refiners in the market, there is an inescapable inference that the acquisition was made in the case of each refiner because of the competitive situation brought out by the new entrant. In the opinion of the Commission the manner in which the control of Beamish Sugar Refineries Limited was shared among the principals of the eastern refiners indicates a common attitude to remove the possibility of independent operation of an outside manufacturer in the sugar industry in Eastern Canada.

CHAPTER IX

MARGINS AND PROFITS

1. Spread between Cost of Raw Sugar and Price of Refined Sugar

The great variety of factors which affect the operations of sugar refineries and the markets for raw and refined sugar make it very difficult to arrive at measures of operating margins and profit margins which can be used comparatively. It will be obvious from the evidence reviewed in earlier chapters of this report that the location of refineries, whether on inland waterways or at seaboard, makes a considerable difference because in the one case raw sugar must be stored for winter operations while in the other, shipments of raw sugar can be received on a year-round basis. In either case there is a considerable lag between the time raw sugar is purchased and its delivery to the refinery, and the time required for transportation is greater in the case of shipments from the southern hemisphere than from the Caribbean producing areas. While there is the time lag between the purchase and delivery of raw sugar, there is at the same time a daily world market in the sale of sugar so that there may be substantial movements in the market for raw sugar between the time that a refiner orders a cargo and the time the raw sugar is put into the processing stream. It has been shown that at times fluctuations in the world price of sugar have been very wide within fairly short periods.

In the sugar refining industry the margin or spread between the cost of raw sugar and the price of refined sugar has been used as an indicator in considering changes in the price of refined sugar. While the actual margin of a refiner would be the difference between the cost of raw sugar and the same sugar sold as refined, the margin usually watched for purposes of determining market changes is the difference between the current delivered cost of raw sugar and the current price of refined.

The following comments by some witnesses in the inquiry suggest the problems involved in forecasting the market trend of raw sugar and relating it to the price of refined. The following are portions of the evidence of Mr. Seidensticker:

"Q. Would you say something about the price of refined following raws? I think you said several times this is the prime factor in setting the price of refined, the price of raws?

A. Yes.

Q. How closely do you try to follow the raw market in setting your refined prices?

A. Well, you cannot follow it very closely at the present time because of the kaleidoscopic -- excuse me for using that term over and over again, but that is what it is -- fluctuations, it shifts up and down. It was down to \$3.13 but, it moves up and then you suddenly have it at \$3.30 and it is back again to \$3.27, and coincidental with that we now have interjected all of these changes in the freight market and if we go back -- I am not speaking of the immediate present -- but if we go back a ways you had also the very significant influence of exchange rates, so that it is not at all like the old days of the trading market where under circumstances which were discernible the market moved up and down and you could follow it. But prices today you will find are subject to a wave motion so that the immediate connection between the one and the other has been dislocated, has been disturbed.

Q. Is it a question of trying to follow trends rather than particular price changes?

A. Yes, I think that is a very fair expression.

Q. I would presume in the situation that you have described as being the present situation it would require a fairly high order of judgment to deal with it?

A. I do not know how to apply judgment to it. . . ."

(Evidence, pp. 1276-77)

Later:

"Q. Did you have any policy of trying to make your changes in the price of refined gradual?

A. Yes, it is better to go up, if you can read the trend, it is better to follow the trend up and down rather

than to try to make it too precipitate.

Q. To follow it up or down in small steps?

A. Yes."

(Evidence, p. 1278)

Mr. W. J. McGregor gave evidence:

"Q. Do you, in fact, aim at a particular margin; do you set your prices with reference to any specific margin?

A. Well, I sort of -- at the close of 1949 when we bought sugar from the sugar administrator, he set a margin of $2.06, and I keep that in the back of my mind all the time, plus, if I think the market warrants it, something that might take care of the increased costs due to labour -- for instance, the day's rate of labour was 90 cents at our plant in 1949, and it is $1.34 today for the base rate, and they are asking for more -- I can say further that the fringes amount to 26 cents an hour.

Q. Have you ever attempted to calculate the increased costs which exist now in comparison with the costs which existed when the controller set this $2.06?

A. No, I have not -- but in a general way I have been watching the raw market more or less, the spot price -- it has changed from the time we were buying during the war -- the war was a bad upset on things -- when it levels down again, you run your prices, based on the spot price in New York -- you have an idea about what that is, and to get something between $2.05 and $2.15 is something I tried to shoot for."

(Evidence, pp. 504-05)

The evidence of Mr. J. R. Crawford contained the following:

"Q. Do you have anything in the nature of a target margin that you shoot for?

A. In Mr. Noble's time there was a margin; I think it varied from $1.95 to $2.15, did it not?

Q. Let us assume that is the case.

A. We just go along, and the margin does not mean so much as the final figure at the end of the year produces. The end of the year is more or less satisfactory compared to past records and the percentage of profit we think we are entitled to.

Q. Do you feel you must have a certain basic margin to operate profitably?

A. We think that the margin that Mr. Noble set was a fair one at the time if it allows for the increased cost in a subsequent period.

Q. What would the increased cost in the subsequent period amount to?

A. I cannot tell you. That is a statistical figure but it certainly is an ever increasing one.

Q. Don't you have some figure you could use as a rough guide as to whether your operations at any particular time are reasonably profitable?

A. We make up our figures every three months in a rough form to find out what our profit was in the previous three months.

Q. But don't you use the margin as a sort of check on what you are doing?

A. I would like to show you something.

Q. Do you want to put this in the record?

A. Yes.

Q. This is a document dated January 11, 1956, headed 'Memo on relative refined sugar margins -- N.Y. refiners vs. St. Lawrence Refineries Limited'.

THE COMMISSIONER: This document will be identified as Exhibit No. 23."

(Evidence, pp. 1235-40)

Exhibit 23 read as follows:

"January 11th, 1956

MEMO ON RELATIVE REFINED SUGAR MARGINS -- N.Y. REFINERS VS. ST. LAWRENCE SUGAR REFINERIES LIMITED

It is interesting to note, (and I have taken the information from Willett & Gray's Daily Sugar Trade Journal), that the difference between the cost of Raws laid down in New York and the price of Granulated, gives U.S. refiners in that area a refining margin of $2.11 per 100 lbs., as against $1.99 on this date last year.

In the case of St. Lawrence Sugar Refineries Limited, on a comparable basis of calculation, their spread would be $2.10 today as compared with $2.45 last year.

This points up that the American refiners have increased their marginal spread by 12 cents, whereas ours has been reduced by 35 cents per 100 lbs.

Traditionally, the American refiners because of their much larger capacity, have operated on a considerably smaller margin than the Canadian refiners, and it would appear that the increase which they enjoy today over past years is necessary due to increased refining costs.

J.R.Crawford

JRC:C

Jan. 11/56	List	$ 7.45
	5%	37
		7.08
Cost of Raws	$4.68	
Duty	.30	4.98
		$ 2.10 "

Later in his evidence Mr. Crawford testified:

"Q. But the point is don't you use the spread as a measurement of how the change in the price of raws and the price of refined are affecting you?

A. We naturally have to watch the spread between refined and our cost of raws, that is the first yardstick that is available to us, and if the price of raws get out of hand with the price of refined we immediately find out what our spread is, but just because the price of raws may advance does not mean to say we will immediately advance our refined price, for the simple reason we may have made some very favourable purchases and in our case we have tried to run these out before advancing.

. . .

Q. I am not suggesting for a moment that there is anything right or wrong about this, that there is anything immoral about it at all, I am just wondering if spread is a convenient measure to check your situation clearly?

A. We must watch it closely, otherwise how could we possibly tell when we ought to be advancing or reducing our prices."

(Evidence, p. 1242)

The following paragraphs from the Statement of Evidence indicate the use of the refiner's margin as an indicator in the sugar refining industry and are of a factual character based on the evidence in the inquiry:

"872. In the sugar refining industry a frequently used measure in pricing matters is the difference between the cost of 100 lbs. of 96° raw sugar and the net basis selling price of a 100 [lb] bag of refined sugar. During this inquiry the difference between these amounts has, on occasion, been called the 'spread' and on other occasions the 'refiner's margin'. This last term which seems to have wide use and acceptance will be used here.

873. Because considerable time passes between the date a sugar refiner orders raw sugar and the date it is received at his refinery, refined there, and eventually sold as refined sugar, the actual cost of the raw sugar component of 100 lbs. of granulated sugar being sold on a particular day may be quite different from the current raw sugar replacement cost. Not only does the world price of raw sugar on occasion move up or down in quite significant amounts in short periods but in addition shipping rates, insurance costs and exchange rates can move in considerable degree in similar short periods of time.

874. In the result, the refiner must at all times be giving consideration not only to supplying the current demand for refined sugar but to the providing of future requirements of raw sugar and to the fluctuating cost and price relationships involved. The world price of raw sugar is quoted daily and is available to all sugar buyers, who can therefore readily note when the world price starts upward or downward and sustains a trend in either direction for any length of time. Such buyers tend to order well in advance of future requirements when the raw sugar price is advancing sharply and to hold back their orders when it is receding. They are in a position to be able on any particular day to calculate quite closely the current 'refiner's margin' and from experience know that upward changes in raw sugar prices will, if large enough, soon be carried through to changes in the price of refined sugar.

875. In Table XVII [Table IV in the appendix to this report] a record of changes in the Montreal basis price since the start of 1931 has been given. This record shows that on occasion several price changes, each of considerable size, have occurred in very short periods of time and on other occasions the price has stayed stable over several months. This record would suggest that the refiners do not move the basis price for quite small changes in the price of raw sugar, but that the basis price is subject to change at any time and does not ordinarily remain stationary in the face of any considerable change in the price of raw sugar. When the raw sugar price is advancing the basis price, with some lag, will be doing likewise and when the raw sugar price is falling the basis price, again with some lag, will follow.

876. There is nowhere in the evidence any indication that the raw sugar price and the basis price move in an exactly constant relationship. Clearly the basis price has not been set only upon consideration of the current replacement cost of the raw sugar content plus a standard refiner's margin.

877. It would seem, however, that the refiners do watch closely the effect, on the refiner's margin, of changes, particularly increases, in the world price of raw sugar. Concerning this Mr. Seidensticker's evidence was as follows:-

'Q. Is the refiner's margin a rough index for expressing the situation at any particular time?

A. Yes, I think you could say so.

. . .

Q. Is the margin any point of reference in discussing what refined prices should be?

A. Yes, I would say very definitely. One has to consider what the over-all, what the reason for the margin is which has a result on the costs.'

(Evidence p. 1275)

. . .

879. From 1939 until late in 1949 all raw sugars imported into Canada were imported by an agency of the Canadian Government. Until the Canadian Sugar Stabilization Corporation was set up in 1947, the Sugar Administration under the W.P.T.B. looked after buying raws and selling them to the refiners. This function, in 1947, was taken over by the C.S.S.C.

880. There was, until almost the end of 1949, a situation under which the sugar refiners were guaranteed against loss in the sale of sugars refined from the raws sold to them by the C.S.S.C. The C.S.S.C. set a maximum price that the refiners could charge on sugars refined from price guaranteed raws.

881. With the ceiling basis price at a certain level and the cost of raw sugar at another level, the refiner's margin during the control period was easily ascertainable. A memorandum prepared on January 30, 1947 by J. R. Crawford shows that the margin at that time was $1.59 net as compared with a comparable margin of $1.365 in the U.S. (ANH 369, 8550). There was an adjustment in the ceiling price on April 1, 1947 and another with effect from November 1, 1947. On both of these occasions the cost of raw sugar to the refiners was adjusted (ANH 1086B, 8572; AOG 900, 16279-80). All rationing controls were also removed with effect from midnight November 1, 1947 (AOG 872, 16253). As of February 28, 1949 the C.S.S.C. was selling raw sugar to the Montreal refiners at $5.94 per 100 lbs., laid down at refining points. The net basis price for refined sugar was $7.89 in 100-lb cotton bags, and the refiners' margin was $1.95 per 100 lbs. At that time the refiners' margin in the U.S. was said to have been $1.645. The $1.95 figure had been effective in Canada since November 1, 1947 (AOG 1925, 11188-90)."

The rapid decline in the price of raw sugar in the latter part of 1951, after the Korean War upsurge, and the entrance of Cuban refined sugar into Eastern Canada, have been described in earlier sections of this report. The supplies of raw sugar which the Montreal refiners obtained in 1951 for winter use in 1951-52 had been bought at prices well above those actually prevailing at the beginning of 1952. The comments of Mr. W. J. McGregor of C. & D. in a letter of August 1, 1953 that the company had written down its inventories of raw and refined sugar at the end of 1951 have already been cited (AOG 1983, 12933). The situation on March 5, 1952 was reviewed in a C. & D. memorandum which is described in the Statement of Evidence as follows:

"895. A memorandum dated March 5, 1952, which was apparently prepared in the C. & D. office in Chatham (AOG 4088A, 11699-701) by Mr. McGregor or Mr. Eamer (Evidence p. 515) and a copy of which was found at St. Lawrence (ANH 359A, 8865-6) included an analysis of costs and selling prices of Cuban refined sugar and Canadian refined sugar at certain places in eastern Canada. At the time this memorandum was prepared the net basis price in Montreal was $9.40. The memorandum shows average raw sugar costs at Montreal at the time as being $6.39. Presumably this applied to raw sugar purchases made in 1952 and the raw sugar concerned would not yet have been received in Montreal. The memorandum makes a number of comments as to what might be done by way of adjusting the Canadian base price and differentials and by way of making price concessions to manufacturers in order to meet the competition from Cuban refined and ended as follows:

'The Sugar Administrator approved raising the list price Dec. 27, 1949, to $8.65 less 5% or $8.22 net. The refiners were charged $6.16½ for their November raw sugars leaving a spread of $2.05½.

Operating costs have increased .2433¢ per 100 pounds since 1949, even without considering depreciation. Any difference in revenues from raw sugar bags and molasses only affects cost of raw material and should not be included in above.' "

Some Cuban refined sugar was still entering Eastern Canada when Mr. W. J. McGregor wrote to H. R. Drummond, a Director of C. & D. on August 15, 1952. His letter contained the following:

" . . .

The Dominion government had sanctioned a margin of

$2.06 at the end of 1949 and since that time labour, fuel and supplies have all risen. The present margin of $2.31 is based on the average price we have paid for raw sugar but on account of Cuban granulated we have been forced to decline so rapidly that we could not obtain the proper spread on our earlier high-priced raws. Consequently we must try to recoup now, and we are still faced with a falling market."

(AOG 2263-64, 12005-06)

2. Refiners' Margins, 1950-1956

It will be apparent that the refiner's margin or spread can be calculated on a number of bases, relating to sugar currently being processed; to sugar bought but not received by the refiner or to the current world price of raw sugar, to mention only some of the possible factors which could be measured in relation to the current price of refined sugar. In the Statement of Evidence an analysis is made of the margins of the three eastern refiners on the basis of the difference between the current basis price of refined sugar and the cost of raws received by each refiner during the same month. The latter was the laid-down cost in the warehouse at the refinery, in Canadian funds, which would presumably include the cost of transportation and insurance services as well as the customs duties. In the case of Acadia-Atlantic the costs of carrying the raw sugar from the ship's side to the refinery warehouse were not included in the calculations. The scale of these costs is given in a footnote to Table 19. The following explanation of the reasons for selecting the particular basis for computing the refiner's margin is given in the Statement of Evidence:

"916. If the refiner's margin is taken as being the difference between the cost of 100 lbs. of raw sugar on a particular day and the net basis selling price of 100 lbs. of refined sugar on the same day there is no way in which from the material available any continuing record of the margins realized by the refiners can be established. There is, however, a considerable body of information which can be set out in such a way as to give some general idea of the prevailing refiner's margin, on a monthly basis, from 1950 to 1956. This material will now be dealt with.

917. In the returns of information submitted to the Director, in reply to questions 9, 10 and 11, detailed information was given on the cost of raw sugars bought by the refiners in the last two months of 1949 and from then on until late 1955. In the second set of returns of information, data on raw sugar costs for 1956 was given. This

information gives the cost of raw sugar delivered to the company's refinery. The dates on which the raw sugar was ordered and the dates on which it was received are also given.

918. From this information supplied by the companies on such matters as these raw sugar purchases and receipts, and monthly inventories of raw sugar and refined sugar, it would be possible to work out the average cost per 100 lbs. of raw sugar which was refined in a particular month. To make such calculations for each of the three refineries for each month in a seven year period would involve a large amount of work and, in the total, a considerable number of reasonable but more or less arbitrary adjustments. The results would therefore not be completely accurate. For these reasons and one other, this type of treatment of the available material has not been undertaken. The other reason is that a simpler handling, which can be undertaken, of the material would seem to be less open to error and to be likely to give a fair illustration of trends and amounts of the refiner's margin on a monthly basis during the period covered. This simpler method is to make the comparison between the current basis price and the cost of the raws received during the same month.

919. Even this simpler method of tabular presentation involves a considerable amount of uncomplicated calculation. In addition the results obtained as they are set out in Table XXI [Table 19 of this report], because they do not allow for the lag between the date of receipt of the raw sugars and the date of sale of the resulting refined sugar, do not give that precise measurement of the refiner's margin realized which would be desirable. It would seem, however, that as the period covered is quite an extended one, the table does give a fair presentation, over a period of time, of the margin picture. It may be noted that, because of the time lag involved, the actual refiner's margins will tend to be a little higher than those shown for periods in which the cost of raw sugar and the basis price of refined sugar were advancing and a little lower when they were both declining."

The table of refiners' margins in the Statement of Evidence included the apparent refiners' margins at New York for United States refiners, by months, for the years 1950 to 1955. The latter figures were derived from the annual publication, Farr's Manual of Sugar Companies, which is a recognized handbook of the sugar industry in North America. The data in Farr's Manual contain the monthly "average duty paid price of 96° Cuban centrifugal sugar,

New York basis" and the "average price of cane granulated refined sugar in New York". The latter is the refiners' list prices for 100 lb. bags (paper) of refined sugar from which is deducted 2 per cent trade discount and the excise or processing tax of $53\frac{1}{2}$ cents per 100 lb. The difference between the two series of figures is taken as the refiner's margin. Figures for 1956 have been derived in the same way from Farr's Manual and added to the table prepared by the Director.

Table 19

Comparison of Refiners' Margins, Calculated on Basis of Average Costs of Raws Received in Stated Months, with New York Refiners' Margins, 1950-56

Date	Net Basis Price, 100 lb. of Refined Sugar Montreal	Apparent Refiners' Margins Acadia Atlantic[1]	C. & D.	St. Lawrence	New York
1950	$	$	$	$	$
January	8.2275	2.0375			1.610
February	8.2275	1.7805			1.643
March	8.2275	1.8725			1.511
April	8.2275	1.7335	1.5935	1.6135	1.485
May	8.2275	1.6725	1.5835	1.6205	1.305
June	8.2275	1.7325	1.6645	1.6855	1.231
July 1 to 6	8.2275	1.8645	1.8145	1.9685	1.241
To July 18	8.36	1.997	1.947	2.101	1.241
To July 27	8.60	2.237	2.187	2.341	1.241
To Aug. 1	8.835	2.472	2.422	2.576	1.241
To Aug. 1 to 25	8.835	2.498	2.361	2.357	1.287
To Sept. 1	9.50	3.163	3.026	3.022	1.287
September	9.50	2.768	2.566	2.783	1.300
October	9.50	2.200	2.062	2.117	1.314
November	9.50	1.625	1.848	1.990	1.363
December	9.50	1.890			1.257
1951					
January	9.50	2.265			1.447
February	9.50	2.608			1.589
March	9.50	2.466			1.614
April	9.50	2.329	1.951	2.384	1.799
May 1 to 3	9.50	2.244	2.295	2.153	1.320
To May 21	9.7375	2.4815	2.5325	2.3905	1.320
To May 31	9.9275	2.6715	2.7225	2.5805	1.320
June 1 to 6	9.9275	2.4645	2.3825	2.5465	1.252
To June 30	10.26	2.797	2.715	2.879	1.252
July	10.26	2.696	2.698	2.564	1.662
August	10.26	2.126	1.828	2.320	1.805
Sept. 1 to 6	10.26	2.525	1.050	.966	1.797
To Sept. 30	10.0225	2.2875	.8125	.7285	1.797
October	10.0225	1.324	.865	1.162	1.618
Nov. 1 to 8	10.0225	1.299	1.791	2.218	1.567
To Nov. 30	9.9275	1.2015	1.6935	2.1205	1.567
December	9.9275	1.7165			1.769

Table 19 (continued)

Date	Net Basis Price, 100 lb. of Refined Sugar Montreal	Apparent Refiners' Margins: Acadia Atlantic[1]	C. & D.	St. Lawrence	New York
	$	$	$	$	$
1952					
Jan. 1 to 25	9.92	2.56			1.702
To Jan. 31	9.69	2.33			1.702
Feb. 1 to 18	9.69	1.88			1.670
To Feb. 29	9.36	1.55			1.670
March 1 to 24	9.36	2.59			1.522
To March 31	9.12	2.35			1.522
April 1 to 8	9.12	2.56	2.41	2.80	1.641
To April 30	8.98	2.42	2.27	2.66	1.641
May	8.60	2.48	2.32	2.55	1.741
June	8.60	2.43	2.35	2.61	1.569
July 1 to 28	8.60	2.68	2.50	3.03	1.602
To July 31	8.45	2.53	2.35	2.88	1.602
Aug. 1 to 5	8.45	2.79	2.35	2.74	1.669
To Aug. 31	8.31	2.65	2.21	2.60	1.669
Sept. 1 to 18	8.31	2.76	2.56	2.81	1.588
To Sept. 30	8.17	2.62	2.42	2.67	1.588
October	8.17	2.72	2.51	2.69	1.499
November	8.17	2.63	2.41	2.60	1.646
December	8.17	2.61			1.950
1953[2]					
Jan. 1 to 12	8.03	2.63			1.829
To Jan. 31	7.88	2.48			1.829
February	7.88	2.52			1.642
March 1 to 20	7.88	2.67			1.606
To Mar. 31	7.65	2.44			1.606
April	7.65	2.60	2.51	2.47	1.664
May	7.65	2.625	2.63	2.61	1.700
June	7.65	2.75	2.26	2.73	1.679
July	7.65	2.62	2.36	2.67	1.669
August	7.65	2.43	2.52	2.57	1.734
Sept. 1 to 2	7.65	2.51	2.61	2.30	1.733
To Sept. 30	7.50	2.36	2.46	2.15	1.733
Oct. 1 to 9	7.50	2.27	2.53	2.26	1.737
To Oct. 31	7.41	2.18	2.44	2.17	1.737
Nov. 1 to 16	7.41	2.34	2.37	2.24	1.830
To Nov. 30	7.33	2.16	2.29	2.16	1.830
December	7.33				1.883

Table 19 (continued)

Date	Net Basis Price, 100 lb. of Refined Sugar Montreal	Apparent Refiners' Margins Acadia Atlantic[1]	C. & D.	St. Lawrence	New York
	$	$	$	$	$
1954					
January	7.33	2.21			1.901
Feb. 1 to 23	7.33	2.62			1.876
To Feb. 28	7.08	2.37			
March	7.08	2.35			1.837
April	7.08	2.27	2.14	2.13	1.895
May	7.08	2.245	2.07	2.19	1.999
June	7.08	2.09	2.02	2.07	1.942
July 1 to 14	7.08	2.13	2.12	2.20	1.896
To July 31	6.98	2.03	2.02	2.10	
Aug. 1 to 12	6.98	2.08	2.04	2.22	2.000
To Aug. 31	7.08	2.18	2.14	2.32	2.000
September	7.08	2.29	2.11	2.22	2.011
October	7.08	2.41	2.11	2.20	1.972
November	7.08	2.33	2.18	2.24	1.787
December	7.08	2.34			2.041
1955					
January	7.0775	2.2335			1.981
February	7.0775	2.1685			1.972
March 1 to 30	7.0775	2.2675			2.000
To March 31	7.1725	2.3625			
April	7.1725	2.3805	2.3280	2.3745	2.018
May 1 to 3	7.1725	2.3955	2.3295	2.3535	1.901
To May 18	6.9825	2.2055	2.1395	2.1635	
To May 31	7.0775	2.3005	2.2345	2.2585	
June	7.0775	2.1915	2.1210	2.2115	1.826
July	7.0775	2.3085	2.1605	2.1885	1.827
August	7.0775	2.1715	2.1393	2.0715	1.813
September	7.0775	2.1435	2.0994	2.1275	1.846
October	7.0775	2.1405			1.864
November					1.966
December					2.101
1956					
January	7.0775	1.9925			2.062
February	7.0775	1.9755			2.060
March	7.0775	2.0225			1.990
April 1 to 27	7.0775	2.0035	2.0515	1.9849	1.959
To April 30	7.1725	2.0985	2.1465	2.0799	
May	7.1725	2.1525	2.1318	2.0555	2.001
June	7.1725	2.1205	2.0242	1.9955	2.032

Table 19 (continued)

Date	Net Basis Price, 100 lb. of Refined Sugar Montreal	Apparent Refiners' Margins Acadia Atlantic[1]	C. & D.	St. Lawrence	New York
	$	$	$	$	$
July 1 to 6	7.1725	1.9635	2.0165	2.0263	1.926
To July 31	7.2675	2.0585	2.1115	2.1213	
August	7.2675	2.0885	1.9865	2.0396	1.932
September	7.2675	2.0665	2.0785	2.0135	1.954
October	7.2675	2.1265	2.1055	2.1425	1.829
November 1 to 15	7.2675	1.9805	1.9372	2.0587	1.919

1 Costs of carrying the raw sugar from the ship's side to the refinery warehouse were not included in the costs of raw sugar on which the following calculations were based in the case of Acadia-Atlantic. These costs, in the case of Acadia-Atlantic, ran between 3.1 and 4.2 cents per 100 lb. in the years 1950 to 1955, inclusive. Raw sugar cost figures for the other two refineries included these costs.

2 For preceding years in this table the net basis price used in calculating Canadian refiners' margins was on a cotton bag basis. For 1953 and succeeding years the refiners' margins are calculated on a paper bag basis. Thus the Canadian refiners' margin figures for 1950, 1951 and 1952 in this table should be decreased by 14 cents to bring them into line for comparison purposes with figures for succeeding years and for New York.

In further explanation of Table 19 the Statement of Evidence points out that during the years 1950, 1951 and 1952 when the eastern refiners operated the Central Agency the cost to each of the refiners for raw sugar requirements was averaged. The cost figures shown for those years in Table 19 would not have been actually, in the final result, what was paid. Acadia-Atlantic was, under the Central Agency, allowed a price reduction of 3 cents per 100 lb. as compared with the other two refineries because ocean freight to Saint John, N.B. was approximately that amount cheaper than to Montreal.

It is necessary to emphasize that the refiners' margins shown in Table 19 for the three eastern refiners and for New York are not directly comparable. The New York margin is derived from the simple monthly average of daily spot quotations for 96° Cuban centrifugal sugar at New York as quoted on the New York Coffee and Sugar Exchange, plus the American import duty of $\frac{1}{2}$ cent per pound. The data are not related to actual purchases of raw sugar by any refinery in the New York area, but are spot quotations relative to the moment and not to any previous period. On the other hand, the costs used to calculate the margins of the eastern Canadian refiners are the actual costs for raw sugar received in the designated period and would represent raw sugar bought some time before.

Even when allowance is made for the lack of comparability in the margin series derived in different ways it is the case that the margins available to the eastern refiners have been larger and, at times, considerably larger, than the margins available to refiners in the New York area. Other series of figures which are reviewed in the next section support this conclusion. Various reasons for the larger margins in Canada were given on behalf of the eastern refiners and these will also be reviewed.

3. Operating Results of Eastern Refiners

For the years 1949 to 1954 each of the eastern refiners submitted to the Director data showing the average annual net revenue per 100 lb. of raw sugar sold. These data were furnished in the return of information to the Director in reply to the following request:

> "13. Total cost and average return per 100 pounds of cane sugar for each of the calendar years from January 1, 1949 to December 31, 1954, inclusive, or if this is not available, for the last five fiscal years of the Company, broken down as follows, for the Montreal refinery:

<u>Cane Sugar</u>

Raw Sugar Cost, C.I.F. Refinery, Duty Paid and in Warehouse, Including Polarization Allowance for Degrees Variant from 96° Basis, Canadian Funds	....
Cost of Refining	....
Manufacturing Overhead	....
Depreciation	....
Packaging Cost	....
Selling Expense	....
Outward Freight	....
Administrative Overhead	....
Less Credits from Sales of Raw Sugar Bags and Molasses	....
Cost per 100 lbs. of Refined Sugar	....
Average Net Revenue on Sales of Refined Sugar per 100 lbs. of Refined Sugar Sold	.... "

The following notes as to the nature of the data furnished and as to the basis used by each refiner are given in the Statement of Evidence:

> " . . . These replies [of the refiners] were prepared on the basis of raw sugar costs for as much raw sugar as was necessary to make 100 lbs. of refined sugar - or approximately 107 lbs. of raw sugar. Thus the differences between the raw sugar cost and the average net revenue as shown by the answers to this question were not so large as they would have been if the raw sugar costs reported were those for 100 lbs. of 96° raw sugar. In addition the average net selling prices carried into the calculations by C. & D. and St. Lawrence had an element of freight costs in them. As a result, the average net revenue prices as reported by them in reply to this question are larger than the average f.o.b. refinery prices. Again, the average net revenues reported would be higher than the average basis price because it was an average for all packages and not the average only for 100 lb. bags of paper or cotton for which the basis price applied."

With reference to the item of outward freight in question 13, quoted above, the Statement of Evidence states that in 1951 Acadia-

Atlantic had an average net outward freight expense of just under 13 cents per 100 lb. of sugar sold and slightly lower figures for other years included in the return of information. The expenses borne by Acadia-Atlantic on this account would be larger than those of the two Montreal refineries, the bulk of whose production would have been sold at the refinery prices plus freight. As pointed out earlier, Acadia-Atlantic freight expense in connection with raw sugar purchases is somewhat less than that of the Montreal refineries.

The item "Credits from Sales of Raw Sugar Bags and Molasses" shown in the questionnaire quoted above is usually applied as a reduction in the cost of raw sugar rather than as an addition to net revenue. The amount of this item varied among the different companies and from one year to another for the same company. In the years 1949 to 1951 the credits from bags and molasses ranged from 9.8 cents to 23.2 cents per 100 lb. and in the succeeding three years the range was from 4.2 cents to 12.2 cents.

It has already been mentioned that the eastern refineries in computing the annual net revenue per 100 lb. of refined sugar in reply to the Director's questionnaire included the cost of the amount of raw sugar, approximately 107 lb., necessary to produce 100 lb. of refined sugar. This, of course, is a different basis than that used in calculating the refiner's margin, which is the difference between the cost of 100 lb. of raw sugar and 100 lb. of refined sugar. If an adjustment is made for the difference in the raw sugar factor a series of figures more directly related to the margin basis is secured. The following explanation of this adjustment in figures is given in the Statement of Evidence:

> "929. Because of the way Question 13 was set up it is not possible to use the replies made to establish an annual figure for each refiner for refiner's margin realized. It is, however, possible to work out, with reasonable accuracy, from the material provided the difference between the average cost per 100 lbs. of raw sugar and the average price realized per 100 lbs. of refined sugar sold. This involves an adjustment of the raw sugar cost figures which, as supplied, provide for the full component cost of raw sugar rather than 100 lbs. of it. Also, because in the cases of C. & D. and St. Lawrence the net revenue figures are apparently enlarged through inclusion of outward freight, which was in turn included as an expense, it would seem necessary to deduct from the net revenue figures the amount of outward freight shown. It would seem that after doing this the net revenue figures for these two refineries would be on practically the same basis as was used in the Acadia-Atlantic reply. Figures which have been calculated and incorporate adjustments as indicated

here are set out in Table XXIII [Table 20 in this report]."

The Statement of Evidence also gave the average annual refiners' margins at New York City as published in Farr's Manual of Sugar Companies. These figures for the years 1949-54 are included in Table 20. It will be recalled that the New York margin figures are derived from daily market quotations and do not represent the actual experience of refineries in that territory.

Table 20

Spread between Cost of 100 lb. of Raw Sugar and Selling Price of 100 lb. of Refined Sugar, Eastern Refiners and New York, 1949-54

	Apparent Differences			Average Annual Refiners' Margins, New York
	Acadia-Atlantic	C. & D.[1]	St. Lawrence	
1949	$2.21827	$2.0992	$2.0935	$1.469
1950	2.41262	2.3737	2.3205	1.376
1951	2.33502	2.3202	2.2637	1.594
1952	2.79591	2.7900	2.50869	1.651
1953	2.89118	2.8878	2.82572	1.724
1954	2.69419	2.5736	2.63085	1.924

1 1952 figures cover period January 1, 1952 to March 31, 1953.
1953 figures cover period April 1, 1953 to March 31, 1954.
1954 figures cover period April 1, 1954 to March 31, 1955.
Figures are for cane sugar operations in Montreal.

The Statement of Evidence points out that for the years 1953 and 1954 the figures given in Table 20 for the eastern refiners would be larger than the actual average refiner's margin by the difference between the average selling price on bags of 100 lb. each, in paper, and the average selling price for 100 lb. of sugar in all types of packages.

From the data on average annual costs per 100 lb. of sugar furnished to the Director by the eastern refiners the margin over costs can be computed. The figures presented in the Statement of Evidence for the apparent margins are given in Table 21.

Table 21

Apparent Average Margin over Costs after Making Allowances for Revenue Received on Sale of Raw Sugar Bags and Molasses, Eastern Refiners, 1949-54

(per 100 lb. of refined sugar sold)

	Acadia-Atlantic	C. & D.[1]	St. Lawrence
1949	$.51348	$ .5515	$ .4898
1950	.71236	.6316	.8185
1951	.37991	.313	.3256
1952	.79154	.5395	.78024
1953	.90444	1.0122	.97243
1954	.74905	.8498	.86164

1 Periods covered are as in footnote 1 to Table 20.

4. Profits of Eastern Sugar Refiners and Certain United States Refiners

The figures given in the preceding sections relating to the refiner's margin or spread do not indicate by themselves the extent to which refining operations have been profitable. The net earnings of a refining company will depend among other things on the efficiency of the plant, the extent to which the plant capacity is utilized throughout the year and the skill with which purchases of raw sugar are made. Mr. Seidensticker of Acadia-Atlantic pointed out in his evidence that the profit margin which could be achieved at a particular price level varied tremendously with the fluctuations in the daily amount of sugar being refined and that his company had such fluctuations (Evidence, p. 1274).

The evidence in the inquiry does not contain any specific information on the technical efficiency of the three eastern sugar refineries. As soon as the restrictions were lifted after World War II C. & D. undertook a modernization programme at the Montreal refinery which involved very large expenditures. In a review of this programme made in May, 1953, Mr. F. M. Chapman of Tate & Lyle reported that refining capacity had been increased and that costs had been significantly reduced (AOG 1625B-27, 12729-31).

The evidence of Mr. Seidensticker makes clear that some major refinery cost items, such as labour and fuel, do not decline proportionately with a cut in volume of production (Evidence, pp. 847-48). Conversely, one would not expect such costs to rise proportionately with an increase in volume, so that maximum production should result in significantly lower unit costs than at lower production levels. In this connection the figures given earlier as to the degree to which refining capacity is utilized by the respective companies take on added significance. It may be noted from the annual sales figures given in Table 12 that in each of the years 1949 to 1953, inclusive, more sugar was sold by Acadia-Atlantic from its Saint John refinery than C. & D. sold from its Montreal refinery.

The daily capacity figures of the three eastern sugar refineries which were given earlier in this report may be repeated here for reference. It will be recalled that the poundage figures for the Acadia-Atlantic refinery at Saint John are for the output of refined sugar while those for the refineries at Montreal of C. & D. and St. Lawrence are for the processing of raw sugar:

	1946	1955
Acadia-Atlantic at Saint John	1,500,000	1,500,000
C. & D. at Montreal	1,600,000	2,400,000
St. Lawrence	1,250,000	1,500,000[1]

1 Increased again in 1956.

Some witnesses who gave evidence in the inquiry and those who appeared before the Commission were of the opinion that because eastern Canadian refineries were smaller than many sugar refineries in the United States and in the United Kingdom the unit refining costs in Canada could not be expected to be as low as in the much larger refineries in those countries. It was suggested that the unit costs of refining were related directly to the scale of operations and would be smaller the greater the daily refining capacity.

As previously mentioned, there have been substantial differences in the daily refining capacities of the three eastern refineries but there is no evidence in the inquiry which indicates that the efficiency of any one of the plants has been affected adversely because of its size. It would appear that other factors, as well as size, are significant in determining the efficiency of a sugar refinery. In the following portion of the record of a conversation between Mr. W. J. McGregor of C. & D. and Mr. H. Havemeyer of National Sugar Refining Company of the United States, then a director of C. & D., the operation of a small refinery is discussed. The telephone conversation took place on September 17, 1952.

" . . .

WJM: In building a plant, Horace, George [Humphrey] brought this thing up too, do you have to build it in the idea of a terrific production, say 2 million pounds a day? Can't you have a plant large enough to put in the additional equipment to bring it up to 2 million and actually start with a small melt.

HHJr: Sure. You can do that very easily. The thing that makes a small plant uneconomical is when it has to operate by itself, but if you operate a small plant in connection with your refinery in Montreal, you can make anything you want to and store it there and ship it out. You can't always sell 100 pound bags straight, but I am sure you could build an efficient refinery for one million pounds or perhaps 3/4 million pounds. Not anywhere near 2 million. You could make just bulk sugar in 10 lb. bags and the other plants could make the different grades.

. . ."

(AOG 2326-28, 12052-54)

The information given in this conversation is not definitive because the operation of a small plant is viewed as part of a larger operation in which the small refinery would be used for certain specialized purposes. It will be recalled that the new C. & D. sugar refinery at Toronto was reported to have an initial daily refining capacity of 1,400,000 lb.

Although many of the cane sugar refineries in the United States are considerably larger than the largest sugar refinery in Canada, there are some which are in the same size class as Canadian refineries and which appear to operate effectively in the American market.

The following table, which appeared in the Statement of Evidence, gives the daily melting capacity figures of certain United States cane refineries and is based on information contained in Farr's Manual of Sugar Companies.

Table 22

Daily Capacity of Certain United States Cane Refineries

Location	Company	Daily Melting Capacity
Baltimore, Md.	American Sugar Refining	3,400,000
Boston, Mass.	American Sugar Refining	2,000,000[1]
Brooklyn, N.Y.	American Sugar Refining	3,600,000[1]
Chalmette, La.	American Sugar Refining	3,900,000[1]
Charlestown, Mass.	Revere Sugar Refinery	2,600,000
Crockett, Cal.	California and Hawaiian Sugar Refining	6,000,000
Gramercy, La.	Colonial Sugars	1,430,000
Long Island City, N.Y.	National Sugar Refining Co.	4,000,000
New Orleans, La.	Henderson Sugar Refinery	650,000
Philadelphia, Pa.	American Sugar Refining	3,400,000
Philadelphia, Pa.	National Sugar Refining Co.	4,000,000[1]
Port Wentworth, Ga.	Savannah Sugar Refining	2,500,000
Reserve, La.	Godchaux Sugars, Inc.	2,500,000[1]
Sugar Land, Tex.	Imperial Sugar Company	2,000,000

1 Revised figures obtained from Standard & Poor's Corporation of New York reports.

The supply of sugar for consumption in the United States is divided among various sources to a greater extent than in Canada. The following table from Marketing of Sugar by Jack T. Turner shows the division of the market in 1952.(1)

(1) Jack T. Turner, Marketing of Sugar, Homewood, Ill., 1955, p. 117.

Table 23

Deliveries of Sugar for United States Consumption by Primary Distributors, 1952

(1,000 short tons, raw value)

Primary Distributor	Amount	Per Cent of Total
Cane sugar refiners	5,833	72.1
Beet sugar processors	1,559	19.2
Importers of direct-consumption sugar	584	7.2
Mainland cane sugar mills.	123	1.5
Total	8,099	

The financial results of some of the United States sugar refining companies were compared in the Statement of Evidence with those of the three eastern Canadian sugar companies. The following explanatory information was contained in the Statement of Evidence:

"944. During the inquiry, no information was received directly from United States refiners concerning their operations. However, a few of the companies listed on page 412 are joint stock companies whose financial results are publicly reported and for comparison purposes some figures concerning them have been extracted from reports circulated to subscribers by Standard and Poor's Corporation of New York, N.Y. The following brief sketches of each of these companies have been compiled from the same source. . . .

American Sugar Refining Company

945. This company is the largest cane sugar refiner in the United States and owns an important producer of raw sugar in Cuba. The company owns five sugar refineries with total daily melting capacity of 16,100,000 lbs. These are as follows:

Brooklyn, N.Y.	3,600,000
Boston	2,000,000
Chalmette (New Orleans)	3,900,000
Philadelphia	3,300,000
Baltimore	3,300,000

The company has a number of subsidiaries and a considerable part of its revenue comes from activities other than its sugar refining operations.

Godchaux Sugars Incorporated

946. Prior to June, 1956, when its sugar refinery and sugar refining business were sold to The National Sugar Refining Company this company was one of the largest cane sugar refiners in the United States. At that time its sugar refinery at Reserve, Louisiana had a reported daily capacity of 2,500,000 lbs. of refined sugar. It also had certain real estate holdings and owned two factories for processing sugar cane. Sugar refining operations were said to have represented about 96% of the business done.

National Sugar Refining Company

947. This company is said to be the second largest refiner of cane sugar in the United States, accounting for about 20% of the output. It has two refineries, one at Long Island City, New York, and the other at Philadelphia, each with daily capacity of 4,000,000 lbs. of sugar. Apparently by far the greater part of this company's revenue is derived directly from its sugar refining operations. Godchaux's sugar refinery business was acquired in June, 1956.

Savannah Sugar Refining Corporation

948. This company has a cane sugar refinery at Savannah, Georgia, which has a daily capacity of 2,500,000 lbs. Its activities are apparently almost entirely, if not entirely, in the cane sugar refining field. Since 1947, this company's sales have been substantially above those made by Godchaux Sugar in dollar volume."

One set of tables given in the Statement of Evidence was prepared on the basis of value of sales, the first of the group giving percentage of net profit after taxes and the second percentage of profit before income taxes.

Table 24

Percentage of Net Profit after Taxes to Sales, Eastern Canadian and United States Refiners, 1949-54

Year	Acadia-Atlantic	Canada & Dominion	St. Lawrence [1]	American [1,2]	God-Chaux	National [2]	Savannah
1949	3.0	5.12	4.0	1.6	2.4	1.9	2.67
1950	3.9	5.14	5.5	1.8	2.1	1.7	2.66
1951	1.9	3.56	2.1	1.2	2.5	1.4	2.22
1952[3]	3.1	2.95	4.1	1.4	1.1	1.2	2.03
1953[3]	4.4	5.57	6.6	1.2	1.1	1.0	2.17
1954[3]	4.4	5.07	6.3	1.6	.9	1.6	2.44

1 Net profit figure used was net profit for refined sugar operations.

2 Sales figure used was total of net sales and miscellaneous revenues.

3 1952 figures for C. & D. cover 15 months from Jan. 1, 1952 to March 31, 1953. 1953 figures cover fiscal year ended March 31, 1954. 1954 figures cover fiscal year ended March 31, 1955.

Table 25

Percentage of Profit before Income Taxes to Sales, Eastern Canadian and United States Refiners, 1949-54

Year	Acadia-Atlantic	Canada & Dominion	St. Lawrence [1]	Godchaux	National [2]	Savannah
1949	5.26	8.66	6.69	4.08	3.09	5.35
1950	7.14	8.79	9.38	3.51	3.38	5.09
1951	3.88	7.75	4.46	4.75	2.55	5.31
1952[3]	6.80	6.51	8.47	1.94	2.62	4.30
1953[3]	8.71	10.93	12.39	2.45	2.14	4.81
1954[3]	8.67	9.52	11.87	1.97	3.26	5.76

1 Profit figures used are for refined sugar operations.

2 Sales figures used are for net sales and miscellaneous revenues.

3 1952 figures for C. & D. cover 15 months from Jan. 1, 1952 to March 31, 1953. 1953 figures cover fiscal year ended March 31, 1954. 1954 figures cover fiscal year ended March 31, 1955.

Two similar tables followed which were based on the returns per 100 lb. of refined sugar.

Table 26

Net Profit after Taxes, per 100 lb. of Refined Sugar
Eastern Canadian and United States Refiners, 1949-54

Year	Acadia-Atlantic	Canada & Dominion	St. Lawrence[1]	American[1]		National	Savannah
1949	$ .239[2]	$ .442[2]	$ .327[2]	$ .135[3]	$ .129[4]	$ .145	$ .227[3]
1950	.339[2]	.484[2]	.489[2]	.150[3]	.145[4]	.137	.229[3]
1951	.186[2]	.388[2]	.217[2]	.109[3]	.105[4]	.113	.200[3]
1952[5]	.266[2]	.279[2]	.367[2]	.122[3]	.117[4]	.101	.188[3]
1953[5]	.341[2]	.472[2]	.524[2]	.109[3]	.105[4]	.087	.202[3]
1954	.318[2]	.414[2]	.474[2]	.145[3]	.139[4]	.138	.201[3]

1 Profit figures are for refined sugar operations.

2 Based on sugar sold.

3 Based on sugar delivered.

4 Based on sugar melted.

5 1952 figures for C. & D. cover 15 months from Jan. 1, 1952 to March 31, 1953. 1953 figures cover fiscal year ended March 31, 1954. 1954 figures cover fiscal year ended March 31, 1955.

Table 27

Profit before Income Taxes, per 100 lb. of Refined Sugar Sold, Eastern Canadian and United States Refiners, 1949-54

Year	Acadia-Atlantic	Canada & Dominion	St. Lawrence[1]	National[2]	Savannah
1949	$.413	$ .747	$ .543	$ .241	$ .454
1950	.619	.828	.837	.274	.438
1951	.381	.845	.454	.212	.476
1952[3]	.586	.614	.761	.225	.398
1953[3]	.670	.925	.990	.182	.446
1954[3]	.623	.776	.888	.281	.496

1 Profit figures used are for refined sugar operations.

2 Based on number of 100 lb. melted.

3 1952 figures for C. & D. cover 15 months from Jan. 1, 1952 to March 31, 1953. 1953 figures cover fiscal year ended March 31, 1954. 1954 figures cover fiscal year ended March 31, 1955.

Table 28 presents a summary of the margin and unit profit figures for the three eastern refiners and for the United States refineries.

Table 28

Apparent Annual Margins and Net Profit after Taxes, per 100 lb. of Refined Sugar, Eastern Canadian Refiners and Certain United States Refiners, 1949-54

	1949	1950	1951	1952	1953	1954
Acadia-Atlantic						
margin	2.22	2.41	2.34	2.80	2.89	2.69
profit	.24	.34	.19	.27	.34	.32
Canada & Dominion						
margin	2.10	2.37	2.32	2.79	2.89	2.57
profit	.44	.48	.39	.28	.47	.41
St. Lawrence						
margin	2.09	2.32	2.26	2.51	2.83	2.63
profit	.33	.49	.22	.37	.52	.47
U.S. Refiners						
N.Y. margin[1]	1.47	1.38	1.59	1.65	1.72	1.92
profit (range of 3 companies)	.13-.23	.14-.23	.11-.20	.10-.19	.09-.20	.14-.20

1 Figures from Farr's Manual of Sugar Companies.

The foregoing tables show that of the three eastern Canadian refining companies Acadia-Atlantic had the lowest profits on the basis used in the comparisons. At the same time the unit profits shown for Acadia-Atlantic were higher than those shown for any of the United States refining companies.

Among the three Canadian companies St. Lawrence, which up to 1956 had the smallest capacity, had the best profit record. A similar situation is shown for the United States companies in that Savannah, one of the smallest, had the best profit record.

The evidence in the inquiry does not establish the reasons for the different profit ratios of the smaller refineries but the fact

that some smaller plants have good profit records makes it doubtful that economies of scale are necessarily rendered greater with very large refineries.

The following references to the financial records of the three eastern refiners were contained in the Statement of Evidence:

> "951. During the period 1931 to 1954, for which financial statements were submitted St. Lawrence was a private company. The statements show that in addition to assets related to sugar refining the company from time to time had other assets from which substantial revenues were received. Throughout the period the company's sugar refining operations were profitable with these profits in some years being very substantially larger than in others. St. Lawrence's profit, after taxes, on its sugar operations in the years 1952, 1953 and 1954 was over 5.5% of its sales. It was a feature of its history during the period 1931 to 1954 that the company from time to time made very heavy charitable donations.
>
> 952. As has already been indicated in this Statement, the history of Acadia-Atlantic in the years 1931 to 1954 involved the merging of two substantial companies and the closing down of the plant of one of them. Balance sheets submitted which cover the operations of Acadia-Atlantic, Acadia, Atlantic, and Atlantic-Acadia Sugar Sales in the years 1932 to 1954 show that on occasion assets have been revalued and changes in outstanding bonds and shares have taken place. Substantial changes in the financial set-ups of Atlantic and Acadia-Atlantic were apparently made in 1954. Financial returns for Atlantic for 1931 and for Acadia for the years 1931 to 1938 were not submitted to the Director. Throughout the years 1932 to date Atlantic has been an operating company. Its operations have been profitable and its records indicate that in the years 1952 to 1954, inclusive, it made a net profit of 3.4% of its sales. For the same years Acadia-Atlantic consolidated accounts show that the company made a net profit of 3.9% on sales.
>
> 953. Throughout the period December 1930 to March 31, 1955 Canada and Dominion has been an operating company with relatively small interests outside those related to its production of refined beet and cane sugar. In that period its operations were generally profitable and substantial dividends were paid each year. For the three years ended March 31, 1955 C. & D. made a net profit of just over 4.6% on sales."

The profit ratios shown above are based on dollar value of sales or volume of output. A more indicative measure of actual profits would be given by relating earnings to capital investment. However, in the case of the three eastern Canadian companies there would be great difficulty in arriving at an investment basis which could be used for comparative purposes and this may be the reason why this was not attempted in the Statement of Evidence. In the first place, two of the companies, St. Lawrence and Acadia-Atlantic, refine raw sugar while C. & D. has plants for refining of beet sugar as well as cane sugar. Two of the companies, C. & D. and Acadia-Atlantic, resulted from the amalgamation of prior existing companies. These amalgamations would have involved valuation of assets and in the case of Acadia-Atlantic assets were revalued as recently as 1954. Such changes in capital structure might make the balance sheet values of the fixed assets non-comparable with the assets of other companies which had not been revalued. The manner in which capital has been raised also has a significant bearing upon any comparison of profits in relation to investment. During the period of the inquiry both St. Lawrence and C. & D. were financed by capital stock only, while Acadia-Atlantic had a very substantial bond issue outstanding. The extent to which assets are depreciated and the methods of depreciation used by the respective companies would also have to be taken into account before any comparison could be made of profits in relation to capital investment.

5. Review of Reasons Given for Higher Refiners' Margins and Higher Profit Ratios in Canada than in the United States

(a) United States refineries are much larger than Canadian and have lower unit costs.

This argument has already been considered in connection with the review of the capacities of Canadian and American refineries. The figures show that there are substantial variations in the size of Canadian and American refineries and that the smallest of the eastern Canadian refineries had the best profit record for the period covered by the inquiry and also that the small American companies whose financial reports are published had a better profit record than larger companies. These situations cannot be regarded as conclusive but they do cast doubt on the argument that, above a minimum of adequate plant capacity, refining costs are necessarily reduced in refineries of very large capacities. In connection with the figures for the Savannah refinery in the United States, which is shown above to have had a favourable profit record, counsel for Acadia-Atlantic argued that the comparison was weakened because of the location of the refinery in the southern United States where labour costs

would be expected to be lower. Another advantageous factor might be that the Savannah refinery is in the centre of its market. There is no evidence as to the possible effect of either of these factors. In the case of the Canadian refineries, St. Lawrence would presumably have approximately the same labour conditions and market possibilities as the Montreal refinery of C. & D.

(b) United States refinery operations are less seasonal than in Eastern Canada.

As will be seen from the list of sugar refineries in the United States given above the factories are located on the east and west seaboards of the country. The refineries are thus able to accept shipments of raw sugar the year round and are thus in the same position as the refinery of Acadia-Atlantic at Saint John. The Montreal refineries, on the other hand, have to store raw and refined sugar to meet the situation caused by the closing of navigation during the winter and, as already pointed out, cease refining operations for some weeks during the winter. It is reasonable to conclude that such factors would increase unit costs in comparison with refineries which could operate without difficulty twelve months of the year. There is no evidence, however, as to the extent to which the refining costs of the Montreal refineries are increased because of the interruption in navigation during the winter.

While the Montreal refineries have the problem of winter operations which does not exist for the seaboard refineries in the United States, they apparently have a more favourable situation with respect to the utilization of capacity, according to the evidence of Mr. W.J.R. Paton of Acadia-Atlantic. Mr. Paton said:

> "A. . . . I have visited three eastern U.S. refiners, and I think I can safely say that there is not any refiner, cane refiner, in the U.S. that uses its productive capacity to the extent that Atlantic does, and I doubt if they use it to the extent of the Can.-Dom. and St. Lawrence Montreal Refineries, and they have much more productive capacity in these plants. . . ."

(Hearing, p. 910)

(c) United States refineries are more favourably situated in relation to principal markets than Saint John refinery.

This argument distinguished the position of Acadia-Atlantic from those of the Montreal refineries because the latter, of course, do not have the freight absorption problem of the Saint John refinery.

The situation in the United States is described by Professor Jack T. Turner as follows:

> "Refined sugar is sold customarily on the basis of prices quoted at the seaboard cane refining centers plus the freight charges from such refineries to point of delivery. These refining centers may consist of several refiners, such as in New York City or New Orleans, or they may involve only one plant, as in the case of Sugar Land, Texas, or Crockett, California. Each of these centers provides the bulk of the sugar sold in a given territory around the refining point. All sugars sold in this area are delivered at prices determined by combination of the basis price quoted by the given seller, f.o.b. his plant, and the freight rate from the basing point to the destination." (1)

Professor Turner points out that while seaboard refineries tend to sell the bulk of their production in the territories where they have no freight disadvantage most refineries must sell part of their production outside these areas and thus must absorb some freight cost. This is particularly noticeable in the Chicago or Mid-West area, where cane sugar from the east and south competes with beet sugar. At times the price of sugar in this area is no higher than at the eastern seaboard so that seaboard refineries must absorb the full freight cost when selling in this territory. There is no evidence in the inquiry as to the amount of freight costs absorbed by refineries in the United States compared with Acadia-Atlantic.

(d) The market for sugar in the United States is less speculative than in Canada.

The supply of sugar for the United States market has been controlled for many years under a quota system administered by the federal government. This system has operated to insulate the American sugar market to a considerable degree from the world sugar market. One result has been to lessen the range of price fluctuations in the United States when there are wide movements in the world price of sugar. Some extracts from several editions of Farr's Manual of Sugar Companies will serve to illustrate the different situations:

> "Spot prices during 1951 ranged from 4.70 to 8.05 cents per pound for 'World' sugar and from 5.15 to 6.30 for 'Domestic' sugar. Thus the variation in the No. 4

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(1) Jack T. Turner, Marketing of Sugar, Homewood, Ill., 1955

spot price was 335 points and in the domestic spot price 115 points." (1)

"The highest 'domestic' spot price published during 1954 was 5.77 cents; the lowest was 5.30 cents. The variation was, therefore, 47 points or less than half a cent a pound. The highest No. 4 spot price during 1954 was 3.43 cents and the lowest 3.05 cents per pound. This is a variation of 38 points or less than four-tenths of a cent per pound." (2)

"Prices of the No. 6 Contract [Domestic], during 1957, ranged from a high of 6.10 cents per pound (established on June 6 for the July 1957 positions) to a low of 5.39 (established on Oct. 2 for the March 1958 position), a range of 71 points. Prices of the No. 4 Contract ranged from a high of 6.90 cents per pound (established on April 22 for the July 1957 position) to a low of 3.31 (established on Oct. 11 for the March 1958 position), a range of 359 points."(3)

After describing the wider fluctuations in prices on the world market than in the United States, Mr. W. J. R. Paton said in evidence:

"A. . . . You won't find anything like that in the U.S. market -- all of which is leading me to say that in operating a sugar refining business in Canada you are operating a business that incorporates a great deal more of financial risk than if you operate a U.S. sugar refinery.

Q. Risk, you are indicating, from the greater or possibly greater variations in the price of raw sugar; is that right?

A. Yes.

. . .

Q. Now, that is one element which you are citing to me as representing the difference as between the Canadian operations in sugar refining and U.S. operations?

A. That is correct; and as a refiner, and facing these changes in values, I would expect my margin to be larger in the case of a Canadian refiner than a U.S. refiner,

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(1) Farr's Manual, 1951/52, p. 275
(2) Farr's Manual, 1954/55, p. 231
(3) Farr's Manual, 34th Edition, 1958, p. 231.

because of the element of risk. I think if you are in a risky business you look for a greater margin, which in turn results in a profit, we hope.

Q. Yes, but would you say -- and you can tell me if this is right or wrong -- a larger margin would not necessarily mean a larger profit?

A. Oh, no, no, definitely no. . . ."

(Hearing, pp. 909-10)

Although, as will be seen from Table 28, net profits per 100 lb. of sugar for the three eastern refiners in Canada have fluctuated more widely than for the United States refineries, even at the lowest point profit levels in Canada have tended to be higher than in the United States.

(e) The sugar refining industry in the United States has surplus capacity which has a depressing effect.

Mr. W. J. R. Paton said that in his view the sugar refining industry in the United States is a very depressed industry because the refining capacity is much greater than the market requirements and this leads to productive capacity being used to a lesser extent than in Canada (Hearing, p. 910). As previously mentioned, under-utilization of manufacturing resources would tend to increase unit costs and the implication of Mr. Paton's evidence must be that the refineries in the United States compete so strongly for the available business that margins and profits are kept at low levels.

(f) The sugar refining industry in Canada has not attracted any new entrants.

Mr. Paton said in evidence that he did not consider eastern Canada provided an attractive climate for sugar refining or there would have been some new entrants since the Saint John refinery was built in 1914 or 1915. He implied that the returns from sugar refining had not been sufficiently attractive to lead any American company to enter the business.

The evidence indicates that Tate & Lyle of England were interested in the possibility of establishing a sugar refinery in Ontario. C. & D., however, secured an advantageous site for a sugar refinery at Toronto and Tate & Lyle became a substantial shareholder in C. & D., and, as indicated earlier, acquired control of that company in November 1959. In an industry where increase in demand is largely the result of population growth and in which an efficient plant has to be of substantial size it is only to be expected that new plants

would be established at considerable intervals.

CHAPTER X

APPRAISAL OF PRACTICES IN THE EASTERN SUGAR REFINING INDUSTRY

1. The Sugar Industry in Eastern Canada

The sugar refining industry in Eastern Canada is highly concentrated. This has been the situation for many years. The industry produces a standardized product, the demand for which is highly inelastic. There is no product differentiation of significant degree which is recognized by the principal users of sugar, except that beet sugar in Eastern Canada traditionally is sold at a lesser price than cane sugar and there are some special grades of sugar for particular food products.

The description of the demand for sugar as highly inelastic has reference to the fact that demand on the whole does not respond directly to a change in the price of the product. In other words, a fall in price will not lead to larger purchases and conversely, an advance in price will not result in a reduction in buying. This description, of course, refers to the total market for sugar but with the lack of differentiation between the products of different suppliers individual buyers are highly responsive to any difference in price, however slight, between the prices of suppliers.

The growth in the market for sugar is largely a function of the growth of population, as per capita consumption has remained relatively stable in Canada. It is thus possible to predict the growth of the market with a substantial degree of accuracy. Demand, of course, may be affected by short-run considerations such as fears of a shortage or anticipations of a continued movement upwards or downwards in the price of sugar.

While the major influence on the demand for sugar is seen as the growth of population the effect of this factor differs in various regions in Canada as the populations of some provinces have been growing more rapidly than others. The consumption of sugar is also affected by the extent to which the manufacture of products utilizing sugar is carried on in different areas. The shift of baking and other processing of food from the home to industrial establishments may also affect the demand for sugar in different parts of the country. Between 1950 and 1954 the purchases of sugar by manufacturers from the three

eastern refiners increased from 42 per cent to 45 per cent of their total sales. During the period under review in this inquiry more than 60 per cent of the total increase in the population of Canada occurred in the provinces of Quebec and Ontario so that the demand for sugar must have increased correspondingly.

As previously mentioned, the sugar refining industry in Eastern Canada is highly concentrated, with only three companies engaged in the production of cane sugar. There are, however, marked differences in the situations of each of the three refiners. The refinery of Acadia-Atlantic is located at Saint John, N.B. but approximately two-thirds of its production is marketed in Quebec and Ontario where it is under a freight disadvantage compared with the refineries at Montreal. This disadvantage is made less burdensome than it would otherwise be by reason of the government assistance given under the Maritimes freight rate legislation. While the location of the refinery of Acadia-Atlantic is a disadvantage in marketing refined sugar in Quebec and Ontario it affords somewhat lower transportation costs on raw sugar, about 3 cents per cwt. compared with Montreal, and permits raw sugar to be received throughout the year, thus enabling the refinery to be operated on a year-round basis. Acadia-Atlantic controls a closed-down refinery at Woodside, N.S. which has not operated since 1942.

St. Lawrence has one refinery at Montreal where C. & D. also has a cane sugar refinery. C. & D. is the only one of the three refiners engaged in the production of beet sugar with factories in Ontario at Chatham and Wallaceburg. C. & D. has also built a cane sugar refinery at Toronto which began operations in the spring of 1959.

In 1946 the Montreal refinery of C. & D. and the Saint John refinery of Acadia-Atlantic had about the same daily capacity, while the St. Lawrence refinery had a daily capacity about one-quarter less. C. & D. also had the capacity of its beet sugar factories, one of which was also equipped to produce cane sugar. C. & D. thus had the largest sugar refining capacity in Canada. By 1954, C. & D. had increased the daily capacity of its Montreal refinery by 50 per cent over that in 1946 and with the addition of the new Toronto refinery the daily capacity of the two refineries is more than double that of the Montreal refinery alone in 1946. There was progressive enlargement of the St. Lawrence refinery from 1952 to 1956 so that in the latter year the daily capacity was 40 per cent greater than in 1946. There has been no major change in the capacity of the Acadia-Atlantic refinery at Saint John, although an increase in one evaporator may have increased overall capacity by 10 per cent. The increases in refining capacities have been made at intervals and in the main have anticipated the growth in the market. The result has been that at all times there has been excess refining capacity in relation to current market requirements, although the degree of excess capacity has

varied during the period and its exact extent cannot be measured because of the winter interruption in the operations of the refineries on the St. Lawrence waterway and the seasonal demand for sugar.

2. Tariff and Other Protection

The sugar industry in Canada has been afforded tariff protection by specific rates of duty which have remained largely unchanged for a very long period. The rates of duty vary with the degree of purity of the sugar imported and with its colour; the latter factor operates to include under the tariff for refined sugar light coloured semi-refined sugars which might be imported by manufacturers other than sugar refiners.

In general terms it may be said that there is a difference of $1.00 per cwt. between the Most-Favoured-Nation and British Preferential Tariffs on raw sugar. Because the supply of Commonwealth sugar is less than the requirements of Commonwealth markets the producers of Commonwealth raw sugar are able to secure for themselves almost the entire amount of the difference between the two tariff rates and normally take about 85 per cent of such difference. In effect, the Commonwealth sugar producers secure a larger return on the sale of raw sugar to Canada than they would on the sale of refined sugar and this factor may influence the policy that has been followed of not offering refined sugar to users in Canada.

The British Preferential Tariff of 29 cents per cwt. on raw sugar plus the premium of 85 cents taken by Commonwealth producers and the ratio of 107 lb. of raw sugar to 100 lb. of refined results in a total of about $1.22 per cwt. of refined sugar which is paid by Canadian refiners above the world price of raw sugar. As the Most-Favoured-Nation Tariff rate on refined sugar is, in a typical case, $1.89 per cwt. the difference between these two figures, or 67 cents, is the tariff protection afforded to Canadian refiners. In addition, Canadian refiners secure additional protection from the difference between transportation costs on raw and refined sugar which, according to evidence in the inquiry, was about 20 cents per cwt. on shipments from the West Indies to Montreal.

The protection afforded the producers of beet sugar in Canada by the British Preferential Tariff of 29 cents per cwt. is enlarged by the practice of Commonwealth producers charging a premium of 85 per cent of the $1.00 difference in rates between B.P. and M.F.N. tariffs, so that the effective protection amounts to the $1.22 referred to above.

Since 1957 beet sugar producers have also had the protection of a support price which is provided by the Agricultural Stabilization Board through a system of deficiency payments if the market price falls below a prescribed level.

The quota and other measures taken by the United States to protect domestic producers of both cane and beet sugar usually maintain a price level for refined sugar in the United States which is above the world price of sugar and thus removes the United States as a possible competitive source of supply for the Canadian market. The lack of interest of Commonwealth sugar refiners in seeking to sell refined sugar in Canada results in the possible sources of supply outside Canada being largely restricted to non-Commonwealth countries in the Caribbean area, particularly Cuba and, more recently, Mexico.

The potential competition of imported refined sugar may be assumed to establish an upper limit to the price of domestic refined sugar, but the nature of the product, the cost of transportation and the conditions of sale may permit the domestic price to exceed the price level at which it would appear possible to deliver imported sugar to Canadian purchasers. In the first place, the quality of refined sugar available in foreign markets might not be as high as the domestic product and it might be acceptable only for certain manufacturing processes. Secondly, the economical size of shipment might be so large as to make the offerings unattractive to the majority of customers in Canada. Thirdly, the time which would elapse between the placing of an order and its delivery in Canada might be so long that prospective buyers might be unwilling to assume the risk of a change in market conditions which would make the purchase of the imported sugar unprofitable at the time of its receipt. For these and other reasons the potential competition of imported sugar may not have an immediate and full effect upon the price level of sugar in Canada. The range within which the price of domestic sugar may move must thus be considered to be wider than that indicated by the relevant tariff rates.

3. Supply of Raw Sugar

During the years 1940 to 1949, supplies of raw sugar for refining in Canada were secured by Canadian refiners through agencies of the Canadian government. During the first part of this period supplies were allocated by the Sugar Controller under the Wartime Prices and Trade Board and in the immediate post-war period this function was carried on by the Canadian Sugar Stabilization Corporation. Thus for almost a decade the price at which raw sugar was purchased and the price at which refined sugar was sold were decided by government regulation. Shortly after the removal of emergency

controls the three eastern refiners, with government approval, established the Central Agency to deal with the British Ministry of Food solely in matters pertaining to the procurement of raw sugar. The Central Agency operated from 1950 to 1952 and purchases for the three eastern refiners were made by it. Costs of all the raw sugar purchased through the Central Agency in the years 1950, 1951 and 1952 were totalled and, except for an allowance of 3 cents per cwt. to Acadia-Atlantic for the lower cost of transportation to Saint John than to Montreal, each refiner paid the same average price for raw sugar.

Although raw sugar was purchased for the individual refiner through the Central Agency, the approval of all three refiners was necessary for each purchase. There was, therefore, continued consultation among the three refiners during the period the Central Agency was operated.

After the Central Agency ceased to operate the three eastern refiners continued to keep closely informed on each other's activities in connection with the purchase of raw sugar, both by direct exchange of information and through information furnished by sugar brokers. There were also discussions among the three eastern refiners with respect to similar undertakings for the purchase of raw sugar. The arrangements made for the purchase of Mauritius and Queensland sugars were of this character.

In 1953 C. & D. was purchasing raw sugar through Tate & Lyle on a deferred pricing basis, which gave C. & D. a different cost of raw sugar than that of St. Lawrence and Acadia-Atlantic. Although the deferred pricing arrangement resulted in C. & D. securing raw sugar at a lower cost than its competitors under some market conditions, the management of C. & D. became concerned that under other market conditions it might become subject to a "squeeze". C. & D. then endeavoured to have the other two refiners adopt a basis of purchasing raw sugar which would be similar for all three. After discussions among the three refiners, and with suppliers, extending over a considerable period, arrangements were made for the three refiners to buy raw sugar from Mauritius under deferred pricing arrangements and for C. & D. and St. Lawrence to buy raw sugar from Queensland under similar arrangements.

In the context it is evident that the management of C. & D. considered that the company was placing itself in a speculative position when its basis of cost different from that of its competitors and that the speculative risk was avoided when C. & D. costs of raw sugar matched those of its competitors. It appears implicit in the evidence relating to the policy of C. & D. in the purchase of raw sugar that the management considered that if the three eastern refiners were costing their supplies of raw sugar on a uniform basis at all times then all three would feel the effect of any change in the refiner's mar-

gin at the same time and would adopt the same change in the basis price of raw sugar. A significant aspect of the concern of C. & D. with a common basis of cost of raw sugar for the three eastern refiners is that attention seemed to have been directed more to the relationships among the three refiners than to changes that might be required by world prices of raw sugar. Mr. McGregor of C. & D. indicated that his competitors need not fear a "squeeze" from C. & D., even though it might have advantages at times in the purchase of raw sugar. The evidence in the inquiry shows that the basis price of raw sugar in Eastern Canada does not follow directly movements in the world price of sugar. That C. & D. was more concerned with the level of its competitors' cost of raw sugar implies that the effect of competition from imported refined sugar is sufficiently removed to allow a margin between cost and price which is large enough to allow considerable variation in raw sugar prices without resulting in a loss, and that there is a common attitude toward the avoidance of competition.

4. Arrangements Relating to Cuban Sugar

The trade arrangement between Canada and Cuba in 1951 for the purchase of raw sugar for the three years 1951, 1952 and 1953 was a matter of government negotiation and led to purchases not only by the three eastern refiners but also by The British Columbia Sugar Refining Company Limited.

The arrangements made in 1953 by the three eastern refiners with the Cuban Institute to exclude Cuban refined sugar from what were regarded as the beet sugar areas of Canada were made with the co-operation of the Canadian government. It is also clear from the speech of the Minister of Trade and Commerce in the House of Commons on February 11, 1953 that the concern of the government was the protection of the interests of the sugar beet growers and not the protection of the refiner's cane sugar margin. However, as the principal market for Ontario beet sugar includes the large industrial centres in Ontario, which were also the principal market for Cuban refined sugar, the effect of the exclusion of Cuban refined sugar from beet sugar areas was to extend protection to a very large part of the cane sugar market.

Although direct government intervention in arrangements to exclude Cuban refined sugar from the beet sugar areas in Canada was not continued after the lapse of the Canada-Cuba raw sugar agreement at the end of 1953, it must be accepted that the private arrangements between the three eastern refiners and the Cuban Institute to exclude Cuban refined sugar from Canada in 1954 were made with the knowledge of the Canadian government. While the later arrangement went beyond that in effect in 1953 by excluding Cuban refined sugar

from all parts of Canada and not only from the beet sugar areas, the general effect was substantially the same with respect to the Canadian market. As a private arrangement the three eastern refiners were required to bear the entire additional cost in the purchase of Cuban raws whereas under the trade agreement they had been reimbursed for the difference between the duty-paid cost of Cuban raws as compared with Commonwealth raws. As previously mentioned the difference in rates of duty was $1.00 per cwt. but because Commonwealth producers charged a premium of about 85 per cent of this amount the additional cost to refiners for Cuban raws was about 15 cents per cwt. Because of this situation the purchase of Cuban raws resulted in additional customs revenue of $1.00 per cwt. although the additional cost to the refiner was 15 cents per cwt. compared with the cost of Commonwealth raws.

Although the exclusion of Cuban refined sugar from the Canadian market under the prviate arrangement between the three eastern refiners and the Cuban Institute was similar in its general effect to the limitation of shipments to Canada which had been agreed upon as the result of the Canadian government intervention in 1953, it is clear that the purpose of the arrangement on the part of the eastern refiners differed from the interest of the government, which was the protection of the sugar beet grower. Although C. & D. had a direct interest in the production of beet sugar the major part of its operation consisted of the sale of cane sugar. Both St. Lawrence and Acadia-Atlantic produce only cane sugar so that their willingness to increase their costs by the purchase of Cuban raws under a private arrangement must be considered as an endeavour to protect the distribution of their products from competition from Cuban refined sugar.

Whatever grounds the three eastern refiners may have had for believing that their private arrangement to exclude Cuban refined sugar from the Canadian market was approved by the Government of Canada clearly were removed in 1954, particularly by the letter of October 19, 1954 from the Minister of Trade and Commerce to Mr. J. W. McConnell of St. Lawrence.

The continuation of arrangements by the three eastern refiners for the years after 1954 which were designed to ensure the exclusion of Cuban refined sugar from the Canadian market was clearly in the refiners' own interests and that exclusion reduced the competition in the eastern Canadian refined sugar market in a very substantial way. It is our opinion that the interests of the consumers of sugar in Eastern Canada were seriously prejudiced by the elimination of the actual or potential competition of Cuban refined sugar by the joint actions of the three eastern refiners. In an industry as highly concentrated as the sugar refining industry in Canada there is special need to ensure that private restrictions are not placed on competition which might be effective from outside the country.

5. Pricing Policy and Price Structures

The evidence in the inquiry establishes that it was the general practice for the basis prices of the three eastern refiners to be the same at all times and that changes in basis prices were made concurrently or within a very brief period, usually not more than a few hours, by all three refiners. It was denied by all witnesses from the industry who gave evidence in the inquiry that either the basis price or the changes in the basis price were the result of agreement, and it was strenuously argued by counsel for the refiners that the uniformity in prices and in price movements was explainable in terms of the standard nature of the product, the high proportion of total cost represented by raw sugar and the common producing areas from which the three refiners secured supplies. It will be recalled from the evidence of Mr. McGregor of C. & D., reviewed earlier in this report, that he testified that there was no agreement as to basis prices "because it is unnecessary in a commodity like sugar, and with the knowledge each of us has of the raw sugar market I would not be silly enough to increase unduly and the others would not go up that far" (Evidence, p. 483).

The assumption in this argument is that each refiner always paid the same price for its raw sugar as the other firms. It is the case that such a situation prevailed during the period when the Central Agency was operated because the costs of all shipments were averaged, but in the absence of joint buying arrangements there might be differences of some magnitude in the delivered cost of purchases of raw sugar over different periods of time. It must also be taken into account that the basis price of sugar in Eastern Canada was not always in direct relationship to the world price of raw sugar. In times of declining world prices the eastern refiners attempted to recover the cost of raw sugar in store or being processed. This would preclude an automatic determination of the price of refined sugar and would necessitate a considered policy with respect to price changes. It will be recalled from the evidence that in 1953 Mr. McGregor of C. & D. became greatly concerned that a deferred pricing arrangement by C. & D. might put its competitors in a position "to put on a squeeze". It would appear that in the circumstances the only possibility of such action would be when the world price of raw sugar was advancing. It will also be recalled that C. & D. went to considerable lengths in an effort to ensure that its costs of raw sugar would be in line with those of the other refiners. It is the opinion of the Commission that the establishment of the basis price of refined sugar cannot be viewed in isolation but must be regarded in relation to other practices in the industry which affected the selling price of sugar.

The use of the system of equalized freight rates in arriving at delivered prices of refined sugar in Eastern Canada was related

directly to the practice among the three eastern refiners of having common basis prices. The principal effect of the system of equalized freight rates was the avoidance of any competition which might arise among refiners through the use of different means of transportation which might have differing actual shipping charges. The practice has been followed for a great many years and long adherence to the system of pricing had made its operation largely a matter of routine adjustment by the three refiners when changes were made in the various schedules of delivered prices. It is the opinion of the Commission that adherence to the system of pricing by equalized freight rates was a matter of common understanding among the three refiners.

The elimination of competition at every delivery point through the system of equalized freight rates prevented any savings in transportation costs being passed on to sugar purchasers in the form of lower prices. The evidence indicates that substantial quantities of sugar were transported by boat from Montreal to Toronto and Hamilton at costs lower than railway freight rates. While the Montreal refiners had some additional costs in the way of storage and handling charges for such dock warehouse shipments it is evident that the total costs were lower than those provided in the system of equalized freight rates. If selling prices of refined sugar at Toronto or Hamilton had been based on actual shipping charges it is clear that there would have been some variation in prices depending upon the means of transportation employed. The fact that there were no variations in prices among the three refiners, except for limited price concessions, strongly supports the conclusion that there was agreement or at least an understanding among them as to the maintenance of a common price structure. Even the occasional price concessions allowed on some sugar shipped by boat to Toronto or Hamilton do not appear to have involved an actual reduction in basis price because the concession was not as large as the difference between the equalized freight rate and actual boat shipping charges.

A third element in the common price structure for sugar used by the three eastern refiners was that of the differential charges for different packages and types of refined sugar. These package differentials were changed infrequently but the evidence establishes that such changes were made following discussions among the three companies. In argument before the Commission counsel for Acadia-Atlantic put considerable emphasis on the fact that Acadia-Atlantic made careful analysis of its costs in connection with each of the major types of packages and there are in evidence a number of such analyses. In connection with changes in the prices of a number of packages made in 1952 such analyses show with respect to ten packages that differentials were increased on four packages for which a profit was previously shown, on four others differentials were increased to a larger extent than that shown as "necessary" by the cost analyses and in only three instances were prices increased to a lesser extent than that

shown as "necessary". The same changes in package differentials were made by the three refiners at the same times and it is the opinion of the Commission that such common action was the result of a common understanding among the three refiners.

The general effect of the evidence with respect to the purchase of raw sugar and the pricing of the refined product is that generally there was a common understanding among the three refiners involving the following principal elements:

(a) as common a basis for costing raw sugar as possible,

(b) a price basis for refined sugar which would as far as possible permit recovery of cost of raw sugar purchases on a declining market,

(c) a uniform system of freight charges and package differentials which would eliminate competition in quoted prices of refined sugar at all delivery points.

6. Price Concessions and Market Shares

The proportionate market shares held by the three eastern refiners have been relatively unchanged for many years. It is the case that, apart from the short-lived and limited operations of Beamish Sugar Refiners, no new cane sugar refinery was established in Canada from 1915 to 1959. This fact by itself might be expected to contribute to the stability in the shares of the market held by the respective refiners. Over the years, however, there have been substantial changes in the corporate organization and in the operations of the refining companies and in the structure of the market. Among these changes were the amalgamation of the Canada and Dominion sugar companies in 1930, the acquisition of Atlantic Sugar by Acadia in 1939, and the closing of the Woodside refinery in 1942. In the post-war period the refining capacity of C. & D. at Montreal was increased by 50 per cent by 1954 and that of St. Lawrence by 20 per cent by 1955 and by about 40 per cent by 1956. In this period the daily refining capacity of the Saint John refinery of Acadia-Atlantic was only slightly increased. Population growth, the only factor enlarging the demand for sugar, was very much more rapid in the post-war period in Quebec and Ontario than in the Maritimes. This factor undoubtedly influenced the location of additional refining capacity in the post-war period.

The acceptance of the use of limited price concessions as a means of maintaining market shares is clearly indicated by the evidence, and the manner in which such concessions operated was frankly

described in evidence by Mr. Crawford of St. Lawrence. The common policy of the three refiners to avoid direct price competition as a means of attempting to secure more business permitted the use of concessions as a method of sharing the market to serve two purposes. The general objective of maintaining recognized shares of the market was accomplished through very small price concessions to some customers which resulted in marginal adjustments in market shares and the limited price differences had the outward appearance of price competition.

In a market where price competition is effective, price concessions by one firm would be made available to all customers and such concessions would invariably be met by other sellers in the market. Neither of these conditions of price competition was fulfilled by the pricing practices of the three eastern refiners. Price concessions were given in selected areas and to selected customers or classes of customers, and the evidence contains many instances where no effort was made by one refiner to meet price concessions being granted by another. The process of recovering market shares through the use of limited price concessions was accepted calmly by the management of each company and there was no apparent fear on the part of the company granting concessions at any time that its actions would lead to retaliation or develop into a price war. It appears evident, and was so indicated by one witness, that the granting of price concessions by one refiner did not result in any case in a change in the basis price of refined sugar.

The success which Acadia-Atlantic had in securing business in the Montreal area illustrates the extent to which sharing the market was accepted in the sugar refining industry in Eastern Canada. The Montreal market was the most disadvantageous for Acadia-Atlantic because of the location there of the two other cane refineries which meant that Acadia-Atlantic had the largest freight absorption in making sales there. In spite of this handicap Acadia-Atlantic re-entered this market in a substantial way after the war without provoking any direct price competition on the part of the Montreal refiners and even succeeded in securing and retaining the business of one of the largest industrial accounts, Coca-Cola Ltd.

The information available as to the extent of price concessions shows that usually these were very small as a percentage of selling price and the total amount of concessions granted by any firm in a year was very small in relation to total sales revenue or even in relation to earnings.

7. Margins and Profits

The pricing practices which have been jointly followed by the three eastern refiners have generally resulted in relatively high refiners' margins or spreads during most of the period covered by the inquiry. The margins maintained by the three eastern refiners have at most times been substantially higher than the apparent margins available to cane sugar refineries in the United States, and the resulting rate of profit of the Canadian companies has been higher than the rates of profit shown for refining companies in the United States whose financial reports are published.

In explanation of the more favourable financial results shown for the sugar industry in Eastern Canada as compared with the United States it was suggested that the American industry was in a depressed state because of the existence of excess capacity. No direct evidence was given on this point. It would be expected that under competitive conditions margins would be related to the degree of risk involved in an industry and to the rate of growth. In an industry where the demand is directly related to the growth of population and thus predictable and where there has not been rapid technological change margins would tend to be low. These factors may have a significant bearing on the margin and profit rates in the sugar industry in the United States.

The higher refiners' margins in the sugar industry in Eastern Canada as compared with the United States were explained in a number of ways. It was suggested that because some refineries in the United States are much larger than any refinery in Canada the American industry secured cost reductions through economies of scale which are not possible in the smaller Canadian plants. There is no evidence in the inquiry to indicate that there are substantial additional efficiencies of scale in the operation of very large refineries. Refineries in the United States, comparable in size with those in Eastern Canada, have financial results as good or better than very large companies. Also the smallest of the three eastern refineries in Canada is shown in the inquiry to have had, at times, the highest rate of profit per unit of sales.

The higher refiner's margin in Eastern Canada was also explained on the basis that labour and other costs are higher than is the case for southern refineries and that costs in Eastern Canada are increased because of the suspension of shipping in the winter which necessitates the stock-piling of sugar and the interruption of refining operations. These latter factors, of course, only apply to the refineries on the St. Lawrence waterway. It will be seen from the statistics as to materials and wages in the sugar refining industry in Canada that cost of labour forms a small part of total costs so that

differences in wage rates would have only a small effect on total costs. The disadvantages of location in the case of refineries where there is a closed season of navigation must add to costs but, as has already been indicated, these factors have not prevented higher rates of earnings per unit of sales to be secured by eastern refiners.

While both margins and rates of profit of the three eastern refiners have had substantial variations during the period from 1949 to 1954, the general trend was upward. It was suggested that higher margins would be expected because of increased cost of wages and other factors entering into production which were experienced by the industry. However, if prices of refined sugar were related directly to the competitive prices of potential imports the margin of eastern Canadian refiners could only be increased if similar increases were being reflected in the price of imports. There is no evidence that this was the case and, in fact, one element in the cost of imports, namely the customs tariff, is a specific charge which has not changed during the period.

A general approximation of the changes in margins and rates of profits for the three eastern refiners may be obtained by taking the averages for the periods 1949-1951 and 1952-1954 as in the table below.

Table 29

Margins and Rates of Profit per 100 lb.
of Refined Sugar, Eastern Refiners, 1949-54

	1949	1950	1951	3-year average	1952	1953	1954	3-year average
Acadia-Atlantic								
margin	2.22	2.41	2.34	2.323	2.80	2.89	2.69	2.793
profit before taxes	.41	.62	.38	.47	.59	.67	.62	.63
profit after taxes	.24	.34	.19	.26	.27	.34	.32	.31
C. & D.								
margin	2.10	2.37	2.32	2.263	2.79	2.89	2.57	2.750
profit before taxes	.75	.83	.85	.81	.61	.93	.78	.77
profit after taxes	.44	.48	.39	.44	.28	.47	.41	.39
St. Lawrence								
margin	2.09	2.32	2.26	2.223	2.51	2.83	2.63	2.657
profit before taxes	.54	.84	.45	.61	.76	.99	.89	.88
profit after taxes	.33	.49	.22	.35	.37	.52	.47	.45

In the case of each of the three eastern refiners the margins average higher in the second period than in the first. The average for profits is higher in the latter period in the case of both Acadia-Atlantic and St. Lawrence. The rate of profit of C. & D. is somewhat lower in the second period. In this period, however, earnings of C. & D. from beet sugar operations were much lower than in the period 1949-51 and, in fact, there was an overall loss on beet sugar operations in 1954. The fact that an increase in the rate of profit in the case of two of the companies occurred during a period when costs were increasing and it might be expected that rates of profit would be narrowed lends weight to the conclusion that the eastern refiners had a certain area of discretion within which prices could be determined and that this area was not directly limited by import competition.

8. Conclusion

It is the conclusion of this Commission that the practices engaged in by the three eastern refiners with respect to common basis prices, equalized freight rates, common package differentials and the use of price concessions have limited competition in the eastern sugar refining industry to the detriment of the public. The

maintenance of non-competitive conditions has been assisted by private arrangements entered into by the three eastern refineries with respect to purchases of raw sugar from Cuba after it had been indicated that there was no approval on the part of the Government of Canada of such arrangements, which arrangements were intended to have the effect of excluding the import of Cuban refined sugar into Canada. The eastern refiners received further protection from the practice of sugar producers in potential areas of supply refusing to make available types of semi-processed sugar which could be used by certain manufacturers. Such restriction was encouraged by C. & D. through its relationship with sugar brokers.

The principal feature of competition is that it compels suppliers to seek the most efficient methods of production and markeing and, equally important, it compels suppliers to pass on to consumers in the form of lower prices gains which are made in efficiency. The maintenance of non-competitive conditions in the eastern sugar industry suspended the latter process. There was no way in which an individual refiner could pass on gains in efficiency to the consumer because of the way in which a common structure of prices was maintained. This is not to be taken as implying that individual firms were indifferent to improvements in efficiency, but the practice of seeking only a traditional share of the market meant that there could not be active price competition because the market shares might be substantially altered. Each refiner could increase his own profits by reducing his own costs but there was no force compelling reduction in selling prices where savings in cost would make this possible. This condition may be illustrated by some of the situations disclosed in the inquiry. When C. & D. found in 1953 that it achieved some savings in its raw sugar purchases by utilizing the services of Tate & Lyle the management clearly indicated that there was no intention to allow this factor to influence the price level of refined sugar. When C. & D. and St. Lawrence secured reductions in cost by shipping refined sugar to Toronto and Hamilton by boat no consideration appears to have been given by either company to a change in price which would pass such savings on to the consumer. The same attitude was displayed by C. & D. when considering whether the railways should be approached in regard to establishing a lower freight rate on larger shipments than those provided for in the established freight tariff.

Since the inquiry made by the Director there have been some significant developments in the sugar refining industry in Eastern Canada, according to reports appearing in the press. The decision of C. & D. to proceed with refinery operations at Toronto appears to have led to more active competition in the sale of refined sugar. In the annual report of C. & D. for the year ended March 31, 1959 the President of C. & D. stated that keen competition had been experienced throughout the year and that severe domestic price cutting which began in mid-December, 1958 had spread throughout

major markets in Eastern Canada. At the close of 1959 Tate & Lyle of England, one of the world's largest sugar refining companies, acquired control of C. & D. The latter company had already had the assistance of the larger firm in technological and other matters, including on some occasions assistance in the purchase of raw sugar, and by acquiring control of C. & D. Tate & Lyle would be in a position to play a larger role in management.

The influence of trade and tariff arrangements on the Canadian sugar market, particularly with relation to the maintenance of effective competition, is evident in the review of trade situations which has been presented in this report. It would appear desirable that as revisions are negotiated with respect to trade agreements affecting sugar the degree of concentration now existing in the Canadian sugar industry should be kept in mind so that potential or actual competition from external sources will be able to act as an additional factor in situations where the fewness of Canadian suppliers might otherwise contribute to a lack of responsiveness to changes in underlying market conditions.

(Signed) C. R. Smith
Chairman

(Signed) A. S. Whiteley
Member

Ottawa,
February 3, 1960.

APPENDIX

Table I

Inventories of Raw and Refined Sugar Held by Eastern Refiners, 1950-September, 1955

	Acadia-Atlantic	Canada and Dominion	St. Lawrence[1]
1950			
Jan. 1	46,227,795	92,941,901	78,101,927
Jan. 31	46,760,903	78,213,141	66,819,241
Feb. 28	44,201,276	69,202,760	52,026,065
Mar. 31	70,107,732	47,614,803	33,792,398
Apr. 30	58,867,093	42,546,608	29,159,291
May 31	57,796,892	68,750,345	60,899,428
June 30	55,116,229	88,950,133	58,325,665
July 31	41,367,265	63,680,440	32,179,026
Aug. 31	28,557,988	44,797,926	27,151,445
Sept. 30	18,232,261	31,625,703	14,121,466
Oct. 31	29,264,124	93,236,575	68,998,159
Nov. 30	25,988,978	170,365,264	89,260,232
Dec. 31	71,495,345	177,804,320	80,717,108
1951			
Jan. 31	60,492,855	140,582,950	66,425,898
Feb. 28	50,891,748	104,556,290	54,870,376
Mar. 31	70,916,654	74,738,767	42,029,012
Apr. 30	64,596,895	72,313,943	38,758,857
May 31	60,533,025	68,898,386	66,414,673
June 30	56,765,759	61,250,919	83,133,894
July 31	49,273,618	94,919,793	82,126,109
Aug. 31	61,561,384	119,468,771	85,319,708
Sept. 30	43,881,100	127,157,318	99,850,842
Oct. 31	43,279,920	133,763,481	101,380,776
Nov. 30	35,749,882	162,670,062	91,015,044
Dec. 31	61,628,763	157,506,115	75,539,449
1952			
Jan. 31	64,009,231	131,307,106	57,224,215
Feb. 28	44,957,340	104,861,921	38,767,417
Mar. 31	52,028,293	75,764,099	20,612,218
Apr. 30	60,157,895	79,852,403	28,393,273
May 31	48,610,193	97,308,257	36,690,250
June 30	50,739,407	81,551,538	48,011,438
July 31	43,691,785	73,857,927	32,655,318
Aug. 31	52,746,074	45,336,981	30,358,631
Sept. 30	31,425,675	59,861,222	30,715,878
Oct. 31	37,349,486	133,477,235	70,387,278
Nov. 30	40,292,142	190,902,267	88,889,033
Dec. 31	48,539,141	168,636,470	77,797,775

1 Figures are for first days of months succeeding that shown.

Table I (continued)

	Acadia-Atlantic	Canada and Dominion	St. Lawrence[1]
1953			
Jan. 31	38,430,702	134,947,483	65,519,887
Feb. 28	40,346,190	105,950,468	51,636,550
Mar. 31	48,548,356	72,900,521	33,877,618
Apr. 30	46,938,589	84,231,440	33,690,072
May 31	47,519,803	98,786,031	39,546,274
June 30	45,954,466	72,929,662	49,738,192
July 31	36,892,114	74,983,041	50,543,550
Aug. 31	40,020,391	72,285,076	52,854,950
Sept. 30	31,492,418	89,905,816	52,583,727
Oct. 31	49,247,678	136,057,979	56,074,626
Nov. 30	30,111,261	175,304,767	79,930,918
Dec. 31	39,517,973	151,323,017	68,109,021
1954			
Jan. 31	49,882,221	120,105,106	55,986,421
Feb. 28	44,469,028	85,854,846	42,072,071
Mar. 31	59,389,840	48,934,316	21,547,546
Apr. 30	56,320,142	46,361,822	27,600,516
May 31	42,629,001	65,917,946	30,971,320
June 30	63,180,568	63,611,651	41,177,983
July 31	48,159,419	74,329,373	34,156,526
Aug. 31	50,158,146	45,904,226	25,949,488
Sept. 30	62,549,391	70,669,839	35,262,990
Oct. 31	43,815,811	94,202,084	63,510,784
Nov. 30	58,320,111	162,913,542	88,712,456
Dec. 31	46,717,168	150,412,779	79,797,965
1955			
Jan. 31	43,620,423	113,336,896	65,199,955
Feb. 28	52,761,420	82,206,771	50,628,868
Mar. 31	48,390,831	45,151,535	29,839,633
Apr. 30	41,871,088	41,953,959	39,654,544
May 31	45,744,017	74,039,007	46,892,612
June 30	52,327,435	73,859,007	61,780,751
July 31	49,624,788	66,986,464	46,986,525
Aug. 31	35,030,016	50,123,007	51,542,020
Sept. 30	45,799,921	54,349,390	57,833,238

1 Figures are for first days of months succeeding that shown.

Table II

Relative Amounts of Different Kinds of Sweeteners Used by Important Industries in Canada, 1948-57

(pounds)

Industry	Year	Glucose	Honey	Molasses	Corn and Cerelose Sugar	Invert Sugar	Corn Syrup and Other (assuming 13 lbs. to gal.)	Cane and Beet Sugar	TOTAL, including Cane and Beet Sugar	Percentage of Cane and Beet Sugar to Total
The Biscuit & Confectionery Industries	1948	--- not available ---								
	1949	45,645,218	269,580	4,507,864	1,310,158	3,172,290	919,476	164,174,853	219,999,439	74.63
	1950	47,904,177	336,850	3,325,962	1,384,571	3,812,828	492,609	167,363,735	224,620,732	74.51
	1951	40,672,284	428,287	3,365,253	1,349,910	3,865,893	181,869	145,668,836	195,532,332	74.50
	1952	44,360,135	474,599	4,172,683	1,126,450	4,571,489	376,490	168,131,002	223,212,848	75.32
	1953	45,821,255	461,841	3,480,861	439,143	5,314,347	232,649	164,916,177	220,666,273	74.74
	1954	45,818,659	435,998	3,552,496	576,676	4,972,969	258,361	165,254,936	220,870,095	74.82
	1955	46,543,985	341,888	4,350,349	785,315	5,018,246	399,375	166,532,232	223,971,390	74.35
	1956	50,862,084	419,049	3,745,498	1,343,912	5,088,613	415,786	183,496,471	245,371,413	74.78
	1957	50,475,573	363,840	3,376,857	1,776,378	4,920,865	320,333	183,308,881	244,542,687	74.96

Industry	Year	Glucose	Cane and Beet Sugar	TOTAL, including Cane and Beet Sugar	Percentage of Cane and Beet Sugar to Total
The Carbonated Beverages Industry	1948	50,211	95,972,821	96,023,032	99.95
	1949	162,742	129,938,404	130,101,146	99.87
	1950	17,969	128,816,443	128,834,412	99.99
	1951	91,569	117,377,762	117,469,331	99.92
	1952	54,941	133,155,147	133,210,088	99.96
	1953	44,910	137,880,363	137,925,273	99.97
	1954	198,043	130,834,739	131,032,782	99.85
	1955	32,079	151,587,644	151,619,723	99.98
	1956	25,470	156,447,227	156,472,697	99.98
	1957	43,340	171,242,253	171,285,593	99.97

continued . . .

Table II (continued)

Industry	Year	Glucose	Molasses	Cane and Beet Sugar	TOTAL, including Cane and Beet Sugar	Percentage of Cane and Beet Sugar to Total
The Fruit and Vegetable Preparations Industry	1948	5,364,395	268,538	116,455,112	122,088,045	95.39
	1949	5,383,484	187,466	103,968,996	109,539,946	94.91
	1950	7,060,215	306,762	111,263,529	118,630,506	93.79
	1951	6,473,952	308,316	110,596,234	117,378,502	94.22
	1952	5,584,627	240,537	109,616,151	115,441,315	94.95
	1953	4,664,108	182,783	120,862,787	125,709,678	96.14
	1954	5,157,199	241,832	123,326,106	128,725,137	95.81
	1955	4,293,682	227,074	136,420,589	140,941,345	96.79
	1956	4,658,445	271,002	131,795,752	136,725,199	96.39
	1957	8,344,993	375,287	134,756,748	143,477,028	93.92

Industry	Year	Glucose	Honey	Molasses	Corn and Cerelose Sugar	Corn Syrup and Other (assuming 13 lbs. to gal.)	Cane and Beet Sugar	TOTAL, including Cane and Beet Sugar	Percentage of Cane and Beet Sugar to Total
The Bread and Other Bakery Products Industry	1948	1,942,820	228,778	1,750,441	798,429	577,226	73,150,531	78,448,225	93.25
	1949	1,726,418	425,428	1,785,467	681,257	553,609	81,001,915	86,174,094	94.00
	1950	1,745,325	255,022	1,906,036	668,073	1,020,123	82,314,269	87,908,848	93.64
	1951	1,259,550	374,083	1,972,901	1,580,759	1,981,138	86,073,846	93,242,277	92.31
	1952	1,384,013	548,595	2,056,503	1,640,129	1,419,504	93,195,296	100,244,040	92.97
	1953	1,890,599	1,186,605	2,207,719	1,135,436	749,414	102,902,480	110,072,253	93.49
	1954	1,638,038	1,331,093	2,980,976	2,536,079	1,100,291	108,300,325	117,886,802	91.87
	1955	1,705,520	1,174,528	2,581,581	1,544,452	948,033	106,008,297	113,962,411	93.02
	1956	1,951,525	927,148	1,995,189	1,493,859	1,044,757	110,248,556	117,661,034	93.70
	1957	1,666,867	780,484	1,813,609	3,051,880	1,173,373	118,160,396	126,646,609	93.30

Sources: Dominion Bureau of Statistics, The Fruit and Vegetable Preparations Industry, The Bread and Other Bakery Products Industry, The Biscuit Industry, The Confectionery Industry, The Carbonated Beverages Industry.

Table III

Relative Importance of Sugar and Corn Sweeteners in the United States, 1948-57

(thousands of pounds)

Year	(1) Domestic Disappearance of Sugar	(2) Domestic Sales of Corn Sugar and Corn Syrup	Column (2) as % of Column (1)
1948	14,678,000	1,998,000	14
1949	15,018,000	2,096,000	14
1950	15,564,000	2,296,000	14
1951	15,358,000	2,250,000	15
1952	16,232,000	2,197,000	14
1953	16,910,000	2,269,000	14
1954	16,370,000	2,243,000	14
1955	16,848,000	2,285,000	14
1956	17,914,000	2,350,000	13
1957	17,552,000	2,346,000	13

Source: United States Department of Agriculture, Agricultural Marketing Service, The Sugar Situation.

Table IV

Record of Dates and Times of Basis Sugar Price Changes as Shown by Published Price Lists, Eastern Refiners, 1931-57(1)

Date	Hour	Code No.	St. Lawrence $	Canada & Dominion $	Atlantic $	Acadia $	Atlantic-Acadia $
Jan. 5/31	11:15 am	ANH 2939	4.80				
	11:30 am	AOG 1008		4.80			
	12 noon	AND 3000			4.80		
June 10/31	11:00 am	AOG 1007		4.70			
	12 noon	AOF 71			4.70		
	12 noon	ANH 2938	4.70				
July 14/31	5:00 pm	AOG 1006		4.80			
	5:00 pm	ANH 2937	4.80				
	5:00 pm	AOF 70			4.80		
Mar. 12/32	8:00 am	AOG 1005		4.70			
	10:00 am	AOF 69			4.70		
	10:00 am	ANH 2936	4.70				
Mar. 19/32	8:00 am	AOG 1004		4.60			
	9:00 am	ANH 2935	4.60				
	9:00 am	AOF 68			4.60		
Apr. 30/32	8:00 am	AOG 1003		4.50			
	9:00 am	AOF 67			4.50		
	9:00 am	ANH 2934	4.50				
July 9/32	9:00 am	ANH 2933	4.60				
	9:00 am	AOG 1002		4.60			
	9:00 am	AOF 66			4.60		
Nov. 29/32	12 noon	AOF 65			4.40		
	12 noon	ANF 169		4.40			
	12 noon	ANH 2932	4.40				
Feb. 7/33	9:00 am	ANH 2931	4.30				
	9:00 am	AOG 1000		4.30			
	9:00 am	AOF 64			4.30		
Mar. 20/33	12 noon	AOF 63			4.40		
	12 noon	ANH 2930	4.40				
	2:00 pm	ANF 167		4.40			

(1) Except during wartime control period.

Table IV (continued)

Date	Hour	Code No.	St. Lawrence	Canada & Dominion	Atlantic	Acadia	Atlantic-Acadia
			$	$	$	$	$
Apr. 19/33	4:00 pm	ANH 2929	4.50				
	4:00 pm	ANF 165		4.50			
	4:00 pm	AOF 62			4.50		
Apr. 22/33	9:00 am	AOF 61			4.60		
	9:00 am	AOG 997		4.60			
	9:00 am	ANH 2928	4.60				
July 13/33	9:00 am	ANH 2927	4.70				
	9:00 am	AOG 996		4.70			
	9:00 am	AOF 60			4.70		
Nov. 10/33	5:00 pm	AOG 995		4.60			
Nov. 11/33	9:00 am	AOF 59			4.60		
Nov. 11/33	9:00 am	ANH 2926	4.60				
Apr. 14/34	9:00 am	AOF 58			4.40		
	9:00 am	ANH 2924				4.40	
	9:45 am	ANH 2925	4.40				
" 16/34	9:00	AOG 994		4.40			
July 20/34	8:00 am	AOG 993		4.30			
	9:00 am	ANH 2923	4.30				
	9:00 am	AOF 57			4.30		
	9:00 am	ANJ 575 (Halifax Basis)				4.30	
Oct. 15/34	8:00 am	AOG 992		4.10			
	9:00 am	ANH 2922	4.10				
	9:00 am	AND 2984			4.10		
Aug. 31/35	8:00 am	ANJ 630		4.00			
	9:00 am	AOF 54			4.00		
	9:00 am	ANH 2921	4.00				
Sept. 11/35	8:00 am	AOG 990		3.90			
	9:00 am	AOG 1037			3.90		
	9:00 am	AOG 1080	3.90				
Mar. 7/36	8:00 am	AOG 989		3.80			
	9:00 am	ANH 2919	3.80				
	9:00 am	AND 2981			3.80		
Jan. 8/37	8:00 am	AOG 988		3.90			
	9:00 am	AOF 45			3.90		
	9:00 am	ANH 2918	3.90				

Table IV (continued)

Date	Hour	Code No.	St. Lawrence $	Canada & Dominion $	Atlantic $	Acadia $	Atlantic-Acadia $
Jan. 12/37	12 noon	AOF 44			4.00		
	12 noon	AOG 987		4.00			
	12 noon	ANH 2917	4.00				
Mar. 9/37	8:00 am	ANF 153		4.20			
	9:00 am	AOF 43			4.20		
	9:00 am	ANH 2916	4.20				
June 22/37	9:00 am	ANJ 623	4.30				
	12 noon	ANJ 625				4.30	
	12 noon	ANJ 579		4.30			
	12 noon	AOF 42			4.30		
Mar. 26/38	8:00 am	ANF 151		4.20			
	9:00 am	ANH 2914	4.20				
	9:00 am	AOF 41			4.20		
Apr. 20/38	8:00 am	AOG 982		4.10			
	9:00 am	ANH 2913	4.10				
	9:00 am	AOF 39			4.10		
June 7/38	8:00 am	ANF 149		4.00			
	9:00 am	AOF 38			4.00		
	9:00 am	ANH 2912B	4.00				
Apr. 20/39	11:30 am	ANH 2910	4.10				
	11:30 am	AOF 35			4.10		
	11:40 am	ANJ 583		4.10			
Apr. 21/39	11:30 am	ANH 2909	4.20				
	11:30 am	AOF 34			4.20		
	11:50 am	ANJ 582		4.20			
Apr. 27/39	10:30 am	ANH 2908	4.30				
	10:30 am	AND 2970			4.30		
	10:45 am	ANJ 609		4.30			
Oct. 2/39	5:00 pm	AND 2969			4.80		
Oct. 3/39	11:00 am	AOG 977		4.80			
Oct. 3/39	4:30 pm	ANH 2907	4.80				
May 20/40	8:30 pm	AOF 31					5.15
May 21/40	7:00 am	AOG 975		5.15			
May 21/40	7:00 am	(See reply Question 8(g) in return)	5.15				

Table IV (continued)

Date	Hour	Code No.	St. Lawrence	Canada & Dominion	Atlantic	Acadia	Atlantic Acadia	(1) B.C. Sugar
			$	$	$	$	$	$
Dec. 27/49	7:00 am	ANH 70	8.65					
	7:00 am	AOG 972		8.65				
	9:00 am	AOG 1030					8.65	
Feb. 6/50								8.50
July 6/50	7:00 am	ANJ 51A		8.80				
	7:00 am	AOG 1075	8.80					
	7:00 am	AOG 1029					8.80	8.65
July 18/50	1:00 pm	ANH 68	9.05					
	1:00 pm	AOG 1028					9.05	8.90
	1:30 pm	ANJ 48A		9.05				
July 27/50	1:00 pm	AND 1707					9.30	9.15
	1:00 pm	ANF 140		9.30				
	1:00 pm	ANH 67	9.30					
Aug. 25/50	7:00 am	AND 2956					10.00	9.85
	8:00 am	ANF 139		10.00				
" 28/50	4:00 pm	ANH 65	10.00					
May 3/51	7:00 am	AOG 1027					10.25	10.10
	10:30 am	AOG 966		10.25				
" 4/51	7:00 am	ANH 64	10.25					
May 21/51	7:00 am	AOG 1026					10.45	10.50
	10:00 am	ANH 63	10.45					
	11:00 am	AOG 965		10.45				
June 6/51	8:00 am	AOG 964		10.80				10.65
	10:00 am	AOG 1025					10.80	
	10:30 am	AOG 1072	10.80					
Sept. 6/51	4:15 pm	AOG 1071	10.55					
" 7/51	9:00 am	AOG 1024					10.55	
	11:00 am	AOG 963		10.55				
Nov. 8/51	7:00 am	ANH 77					10.45	10.40
	12:noon	ANH 78		10.45				
	12:noon	AOG 1070	10.45					
Jan. 6/52								10.30

(1) All prices shown in this column are on paper bag basis.

Table IV (continued)

Date	Hour	Code No.	St. Law-rence	Canada & Dom-inion	Atlan-tic	Acadia	Atlan-tic Acadia	(1) B.C. Sugar
			$	$	$	$	$	$
Jan. 25/52	7:00 am	ANH 73		10.20				
	8:30 am	ANH 59	10.20					
	9:00 am	AOG 1022					10.20	10.05
Feb. 18/52	Opening of business	AOG 1068	9.90					
	9:30 am	ANH 71					9.90	9.85
	10:00 am	ANH 72		9.90				
Mar. 24/52	7:00 am	AOG 1020					9.65	9.60
	9:00 am	AOG 1067	9.65					
	9:30 am	AOG 959		9.65				
Apr. 8/52	7:00 am	AOG 1019					9.45	9.40
	9:00 am	AOG 1066	9.45					
	10:00 am	AOG 957		9.45				
May 1/52	8:00 am	AOG 956		9.05				
	9:30 am	ANH 54	9.05					
	10:00 am	AOG 1018					9.05	9.15
July 28/52	8:30 am	ANH 53	8.90					
	9:30 am	AOG 1017					8.90	9.00
	10:00 am	AOG 955		8.90				
Aug. 5/52	8:30 am	ANH 53	8.75					
	9:00 am	AOG 954		8.75				
	9:00 am	AND 2944					8.75	8.85
Sept.18/52	7:00 am	AOG 953		8.60				
	9:00 am	AOG 1062	8.60					
	10:00 am	AND 2943					8.60	8.70
(Change to Paper Basis)								
Jan. 12/53	7:00 am	AOG 1015					8.30	8.55
	9:30 am	ANH 50	8.30					
	10:00 am	AOG 952		8.30				
Feb. 24/53								8.40
March 20/53	4:00 pm	AOG 951		8.05				
	4:30 pm	AOG 1060	8.05					
	4:30 pm	AND 2941					8.05	
" 23/53								8.15

Tabel IV (continued)

Date	Hour	Code No.	St. Lawrence	Canada & Dominion	Atlantic	Acadia	Atlantic Acadia	(1) B.C. Sugar
			$	$	$	$	$	$
Sept. 2/53	3:00 pm	AOG 1059	7.90					
	3:30 pm	AOG 1013					7.90	
	4:15 pm	AOG 950		7.90				
" 3/53								8.00
Oct. 9/53	7:00 am	AOG 949		7.80				7.90
	9:25 am	AOG 1058	7.80					
	10:00 am	AOG 1012					7.80	
Nov. 16/53	7:00 am	AOG 1011					7.70	7.70
	9:00 am	ANH 46	7.70					
	10:00 am	AOG 948		7.70				
Feb.23/54	10:30 am	ANH 44	7.45					
	11:15 am	AOG 1010					7.45	
	12: noon	ANH 85		7.45				
" 24/54								7.55
June 1/54								7.70
July14/54	7:00 am	AOF 3					7.35	
	9:00 am	ANH 43	7.35					7.60
	9:45 am	AOG 946		7.35				
Aug.12/54	7:00 am	AOF 2					7.45	
	9:30 am	AOG 945		7.45				7.70
	9:40 am	ANH 42	7.45					
Mar. 30/55	8:00 am)	See reply to		7.55				
	9:45 am)	Question	7.55					
	10:00 am)	8(f) in Return					7.55	7.80
May 3/55	8:00 am)	See reply to		7.35				
	9:00 am)	Question	7.35					
	12 noon)	8(f) in Return					7.35	
" 7/55								7.70
May 18/55	7:00 am)	See reply to					7.45	
	8:00 am)	Question	7.45					
	8:00 am)	8(f) in Return		7.45				7.80

Table IV (continued)

Date	Hour	Atlantic-Acadia $	Hour	Canada & Dominion $	Hour	St. Lawrence $
1956						
April 27	9:30	7.55	8:00	7.55		
May 3					4:30	7.55
July 6	12:00	7.65	3:30	7.65		
" 9					4:30	7.65
Nov. 15	9:30	7.80	8:00	7.80		
" 16	7:00	7.90			10:00	7.85
" 16			11:00	7.90		
" 19	2:00	8.05	12:00	8.05	10:30	8.05
" 20	10:00	8.30	8:00	8.30	9:00	8.25
" 21	10:00	8.50	8:00	8.50	9:30	8.40
" 26	10:00	8.55	8:00	8.55	4:00	8.55
" 27	7:00	8.65	10:15	8.65		
	5:00	9.15				
			4:30	9.15		
" 28	5:00	9.35	4:30	9.35	11:00	9.05
" 29	5:00	9.15				
" 30	3:05	9.00	8:00	9.15	4:15	8.80
Dec. 3			8:00	9.00		
" 4			8:00	8.95		
" 10	4:00	8.95				
" 12	10:30	8.90	8:00	8.90 (1)		
" 18	4:00	8.85	8:00	8.85		
1957						
Jan. 3	10:00	9.25	8:00	9.25	1:30	9.15
" 8	10:00	9.55	7:00	9.55	12:15	9.45
" 9	10:00	9.75	7:00	9.75	4:00	9.65
" 10	5:00	10.10				
" 11			7:00	10.10	1:00	9.90
" 15	10:30	10.30	7:00	10.30(2)	Opening	10.20
					12:30	10.00
" 18						10.15
" 23			4:00	10.50		
" 24	10:30	10.50			10:00	10.35
" 28	7:00	10.50 (1)	7:00	10.35	Opening	10.10
" 30	11:30	10.10	2:30	10.10		
Feb. 4	7:00	9.80	10:45	9.80	Opening	9.85
" 4					3:00	9.80
" 5	11:00	9.55	7:00	9.55	10:00	9.55
" 7	10:00	10.00	7:00	10.00	10:00	9.95
" 8	12:30	9.70	12:00	9.70	10:30	9.70

(1) Differential Change (2) Discount Change

Table IV (continued)

Date	Hour	Atlantic-Acadia $	Hour	Canada & Dominion $	Hour	St. Lawrence $
Feb. 14			4:30	10.10		
" 15	3:00	10.00	4:30	10.00	9:45	10.00
" 22	10:00	9.85	9:45	9.85	Opening	9.85
" 27	5:00	10.35	4:00	10.35	4:00	10.35
					4:30	10.20
March 7		10.20	7:00	10.20		

Table V

Principal Statistics of the Sugar Refining Industry, Significant Years, 1917-57[1]

Year	Establishments No.	Employees No.	Salaries and Wages $	Fuel and Electricity $	Cost at Works of Materials Used $	Value Added by Manufacture $	Gross Selling Value of Shipments[2] $
1917	8	2,527	2,324,828	Not available	53,179,911	8,248,876	61,428,787
1920	8	3,118	4,632,814	"	103,689,088	15,397,643	119,086,731
1921	7	2,469	3,182,894	"	56,882,242	12,627,585	69,509,827
1925	8	2,784	3,828,442	1,959,452	54,457,385	12,029,042	68,445,879
1929	8	2,325	3,686,037	1,130,158	35,640,125	10,381,677	47,151,960
1933	8	2,092	3,048,817	898,140	22,846,473	13,445,347	37,189,960
1937	10	2,332	3,318,861	951,416	29,013,057	10,951,571	40,916,044
1938	10	2,318	3,315,633	995,540	28,838,685	11,557,871	41,392,096
1939	10	2,399	3,467,367	1,089,169	33,728,967	15,078,627	49,896,763
1941	11	2,642	3,834,639	1,487,848	46,067,190	14,847,671	62,402,709
1942	11	2,326	3,772,431	1,225,955	33,283,971	11,459,785	45,969,711
1944	11	2,590	4,576,060	1,476,377	48,033,547	14,364,944	63,874,868
1946	11	2,633	5,010,789	1,532,486	45,900,913	13,748,222	61,181,621
1947	11	3,003	6,309,481	2,106,343	63,883,259	14,204,767	80,194,369
1948	11	3,267	7,662,318	2,753,831	88,031,106	22,725,610	113,510,547
1949	11	3,587	8,842,783	2,891,954	90,172,181	23,703,295	116,767,430
1950	12	3,919	9,535,834	3,219,676	109,713,103	31,939,788	144,872,567
1951	12	3,562	10,272,939	2,840,533	107,540,497	28,728,247	139,109,277
1952	12	3,492	11,044,491	2,689,768	93,303,708	33,044,822	129,038,298
1953	12	3,388	10,958,086	2,642,586	79,588,400	35,721,466	117,952,452
1954	11	3,426	11,352,622	2,501,162	81,010,230	33,281,483	117,807,453
1955	11	3,376	11,548,086	2,532,298	87,782,720	33,002,905	119,672,837
1956	11	3,285	11,863,845	2,724,554	96,958,985	30,122,828	126,690,159
1957	11	3,306	12,133,505	3,078,050	112,378,384	40,923,833	155,022,877

1 Excise taxes are not included for 1933 and succeeding years.

2 Beginning in 1952, the gross value of production is replaced by gross value of shipments, f.o.b. plant.

Source: Dominion Bureau of Statistics, The Sugar Refining Industry.